EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,858 Friday June 2 1989 D 8523A

EUROPE
MEPs start down a new path
Page 4

World News

Nationalist demands force Soviet concessions

The Soviet authorities granted two important concessions to the rising tide of nationalist demands, to head off a threat to Communist Party rule both in the Baltic republics and Armenia.

At the same time they sought to place the blame for the massacre of nationalist demonstrators in Georgia on the disgraced leader of the local Communist Party – denying any responsibility in Moscow. Page 22

Argentina tense

An uneasy calm reigned over Argentina after three days of serious rioting in shanty-towns on the edge of Buenos Aires and slum districts in other major cities. Page 8

Cambodian talks

France is to host an international conference on the future of Cambodia in August a few weeks before Vietnam is scheduled to withdraw troops from the country. Page 10

Iran leadership race

The race for the future leadership of Iran is gathering pace since the disclosure that Ayatollah Ruhollah Khomeini, the country's 87-year-old spiritual leader, underwent surgery last week to stop intestinal bleeding. Page 10

Soviet space plans

The Soviet Union's space programme is likely to be thrown off course by the country's economic and political changes, according to one of the US's top experts on Soviet space activities. Page 4

Chilean pact

The Chilean Government and its opposition have agreed a series of reforms of the military's 1981 Constitution after nearly two months of difficult negotiations. Page 8

Gdansk rescue plan

A Polish-American millionairess, Barbara Piasecka-Johnson, signed an agreement with Solidarity leader Lech Walesa to form a joint stock company to try to save the threatened Gdansk shipyard from closure by the government.

Salvador milestone

A milestone in El Salvador's history was achieved when one freely elected president handed over the sash of office to another freely elected president. Page 8

HK hunger strike

Two thousand Vietnamese boat people held in a Hong Kong detention centre refused food in protest against the government's repatriation policy and officials said they feared the revolt would spread.

Gold miners trapped

Hundreds of miners were still trapped in a south Philippines gold mine two days after a landslide which killed at least 13 people and sealed a network of tunnels.

Docks shake-up

Australia's docks and inefficient shipping industry face their biggest-ever shake-up under a programme of reforms unveiled by the Labor government. Page 10

Operation Summer

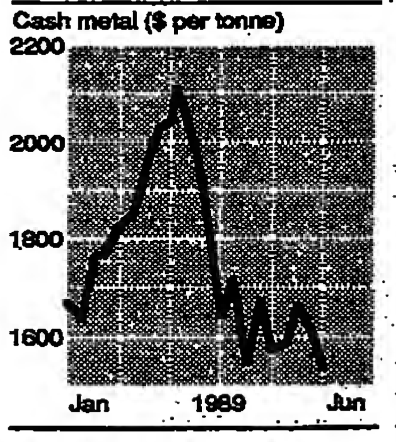
Four thousand extra policemen will spend the summer in Spanish coastal resorts in "Operation Summer" to help ensure tourists have a crime-free holiday.

Business Summary

AT&T deal with Italtel may lead to share swap

The co-operation deal between American Telephone & Telegraph of the US and Italtel, state-owned Italian telecommunications equipment maker, is expected to result in a share swap between the two companies. Page 23

ZINC PRICES on the London Metal Exchange continued to slide as increased supplies of metal were offered onto the market. The cash price for high grade metal fell $27.50 to $1,530 a tonne – the lowest closing level since mid-November. Commodities, Page 34



RUPERT Murdoch's News Corporation and the Walt Disney Company have reached agreement in principle to settle a $1.5m lawsuit launched with considerable acrimony last month. Page 22

ANGLO AMERICAN, South Africa's largest mining house, said it was prospecting a discovery which Gavin Relly, chairman, described as "a great goldfield." Page 23

CADBURY SCHWEPPES, UK food and confectioner, was narrowly defeated by General Cinema, diversified US group which holds a 17 per cent stake in the group, in its bid to increase its borrowing powers. Page 23

CERUS, French holding company of Italian businessman Carlo de Benedetti, has reported net profits of FFr332m ($49.3m) for 1988 and announced success in its offer for Duménil-Leblé, financial group. Page 24

TOPDANMARK, Danish insurance group, plans a share issue simultaneously with obtaining listings in London and Frankfurt as well as on the Swiss bourses. Page 24

MATRA, French defence and electronics group, is launching a big drive in the US market by acquiring for between $180m and $200m the defence electronics and space activities of Fairchild Industries. Page 29

GIROZENTRALE, Austria's second-largest bank, bought 49.65 per cent of Tungsram, Hungarian light bulb group which has been successful in marketing its products in the West. Page 28

OM, expansionist Swedish electronic options and futures exchange, applied to the British authorities for permission to set up a subsidiary in London. Page 27.

ELDERS IXL, Australia's largest company in terms of revenue, is seeking to sell its A$500m ($375.2m) worth of redeemable preference shares in Beswick, a special purpose joint venture with Broken Hill Proprietary, the country's biggest company by market capitalisation. Page 26

PRE-TAX profits of Orix, formerly Orient Leasing, were Y9.5bn ($66.5m) on revenues of Y276.8bn in an irregular six-month period up until March. Page 26

BRAZIL is expected to publish a reduced list of prohibited imports early in the second quarter aimed at cutting back sharply the 1,300 products still banned from entry. Page 11

Chinese hardliners extend crackdown to institutions

CONSERVATIVES in China's leadership, who have been waging a struggle for power against the reformers after student protests in Peking, appear poised to extend their crackdown to include some high flying companies which have been a feature of the country's economic reform, writes Robert Thomson in Peking.

This became evident with an attack by the official party newspaper, the People's Daily, on the Stone Research Institute, an offshoot of China's best-known high-technology company, the Stone Corporation.

The paper alleged that the institute had forged signatures on a letter calling for an emergency meeting of the National People's Congress, the country's parliament, to discuss the imposition of martial law and the political situation.

The legality of martial law, declared by Premier Li Peng on May 20, has been questioned by liberals in China. If the NPC were to declare invalid the imposition of martial law, Li's present strong position could be undermined.

The Stone Corporation, which has supported Zhao Ziyang, the embattled Communist Party chief, maintains that it had the legal right to organise the letter and that four NPC members agreed to attach their names. However, these members claimed in the People's Daily that they had not agreed, and called for an investigation of the company.

Stone and other companies increasingly feel themselves the target of the conservatives, who resent their rise to prominence and argue that they waste scarce resources, lure skilled staff from the state system and violate communist principles.

Conservatives have recently condemned a range of liberal think tanks, including a political reform body which has been labelled "counter-revolutionary."

Staff at these institutes fear that the most outspoken researchers could be punished and politically sensitive research projects risk being halted if conservatives stabilise their control of the party.

Research on sensitive economic and political reform policies has been severely hindered by the present leadership crisis. A Western diplomat noted that long-term policy formation risked being at best, mediocre, if reformist researchers continued to be alienated.

Zhao encouraged successful private companies such as Stone and promoted the development of policy research institutes such as its offshoot institute. Researchers in the institute were involved in drafting the controversial bankruptcy law and are examining equally controversial changes to the constitution which would redefine the communist party's power.

The private companies have been frustrated by state bureaucrats at almost every level of business and so sought the protection of party liberals who portrayed them as models of reform. A few of China's high-tech companies are known to have hired relatives of party leaders as a form of political insurance. One employed a relative of Chen Yun, the elderly conservative enlisted by the paramount leader, Deng Xiaoping, in his campaign against Zhao.

An Asian diplomat said party conservatives and state bureaucrats, annoyed by the flourishing private companies, had been tempted to use the shift in politics to take action against them.

Bush and Thatcher reaffirm strength of 'special relationship'

By Michael Cassell and Peter Riddell in London

PRESIDENT George Bush and Mrs Margaret Thatcher, the British Prime Minister, yesterday mounted a joint exercise to proclaim that the special relationship between the US and Britain was not under threat and would continue.

Speaking in Downing Street, Mrs Thatcher's residence, after a two-hour meeting, the leaders went out of their way to combat recent suggestions that their countries' relationship might be less close after Mr Bush's election and his European arms initiatives.

Ashley Ashwood

Chemistry lesson: Mrs Thatcher and President Bush outside the Prime Minister's London residence yesterday

The President returns to the US this morning after a seven-day, four-nation European tour in which he succeeded in reuniting the Western alliance on arms control and regaining the initiative from the Soviet bloc.

Mr James Baker, US Secretary of State, said yesterday that it had been important for a US president to be seen leading the alliance "actively, aggressively and effectively."

In prepared remarks, Mr Bush said "the special relationship that has existed between the UK and the US – and is fundamentally based on common values – is continuing and will continue on a steady keel."

Mrs Thatcher returned the compliment, praising Mr Bush as "staunch and steadfast on everything which is of fundamental value to democracy, freedom and justice."

The issue has arisen because of suggestions that the relationship between the Prime Minister and President will not rest on the same personal chemistry that Mrs Thatcher enjoyed with former President Reagan.

Moreover, there have been indications that the US has been paying more attention to West German concerns on defence than those of the UK.

On the British side, there is some suspicion among ministers and officials about the alleged readiness of Mr Baker to make compromises to reach deals with alliance partners.

In providing reassurance yesterday about the continuing special relationship, both leaders sought to avoid offending other European partners.

Mrs Thatcher said that Britain considered itself among the foremost friends of the US, but that did not exclude the possibility of other friendships.

After the Prime Minister's lengthy reply, Mr Bush said: "very good answer," adding that "a very, very special relationship" with Britain need not be at the expense of American friendship with other countries.

The mutually effusive tone was echoed by a British Government official who emphasised that the two leaders "know each others' minds, think very similarly, have a broad identity of view and share the same ideals."

In a reference to Mrs Thatcher's role in the successful outcome to the Nato summit, the president said he could not have achieved an agreement "without an anchor to windward."

The talks between the two leaders, their first in London since Mr Bush became president, were wide-ranging and covered the internal Soviet situation, the latest upheavals in China, the Middle East, the plight of hostages in the Lebanon, southern Africa and the prospects for change in eastern Europe.

A particularly sensitive issue has been possible US arms supplies to Argentina. Mrs Thatcher expressed concern about such sales, and Mr Baker later commented that the US would consult "very closely" with the UK on any proposed arms deal.

Despite some suggestions that the recent strength of the dollar and weakness of sterling might be raised, the issue was not discussed, mainly because the two countries' finance ministers are at an OECD meeting in Paris.

Describing her talks as some of the "most valuable and happy" she had held for a long time, Mrs Thatcher said the west had reached the end of containment: "It is freedom on the offensive – a peaceful

Continued on Page 22
Background, Page 6

OECD ministers heal rift with US over global trade

By Peter Norman, Economics Correspondent, in Paris

MINISTERS from 24 leading industrial countries yesterday papered over their quarrel about US moves identifying Japan, India and Brazil as unfair traders under the Super 301 clauses of last year's Trade Act.

Although the US action had been widely criticised by its trading partners as a threat to the multilateral trading system, the member states of the Organisation for Economic Co-operation and Development agreed a joint communiqué committing themselves to the system's further strengthening.

The ministers said they "firmly reject the tendency towards unilateralism, bilateralism, sectoralism and managed trade which threatens the multilateral system and undermines the Uruguay Round" of trade liberalisation negotiations.

They also agreed "to avoid any discriminatory or autonomous actions which undermine the principles of the General Agreement on Tariffs and Trade," the agreement which polices the multilateral trading system.

The ministers underlined the need for a successful outcome to the Uruguay Round to strengthen multilateralism in international trade in goods and services and to open markets.

After two days of sometimes difficult discussions, the US's trading partners appeared, therefore, to have accepted Washington's contention that recourse to Super 301 provisions was a move to expand global trade by opening markets rather than restrict it.

Mr Jon Sigurdsson, the Icelandic commerce minister who chaired the meeting, said afterwards that he did not expect the US to modify its Super 301 decisions in the light of the OECD communiqué. But he said he expected the spirit of the OECD statement, which the US accepted, would influence the way in which it dealt with the nations listed as unfair traders under Super 301.

The Super 301 clause in the Trade Act provides for bilateral negotiations between the US and named trading partners and could lead to retaliation by the US for supposedly unfair trading practices.

Indicative of the fudge that ended the meeting, Mrs Carla Hills, the US trade representative, said afterwards that she would not rule out unilateral action by the US in pursuit of its trade demands.

The row over trade marred a meeting where there was considerable agreement over economic policies to be pursued by industrial countries in the 1990s. The OECD statement outlined a joint strategy to ensure sustained non-inflationary growth in the years ahead.

The ministers agreed to resist inflationary pressures and strengthen the process of reducing the large US current account deficit and the West German and Japanese surpluses. Their statement endorsed the policies being pursued by the major industrial countries.

However, the 13-page statement could not disguise tensions. Many ministers complained that excessive use was being made of monetary policy to control inflation, especially in the US.

Editorial comment, Page 20

Lawson denies there is a crisis over pound

By Our Economics Correspondent

MR Nigel Lawson, the UK Chancellor, yesterday denied that there was a sterling crisis and underlined Britain's resolve to make the defeat of inflation the top priority.

He said in Paris that he thought there had been "a lot of exaggeration" about sterling over the past week. The pound's recent sharp decline was part of a dollar phenomenon where a "great surge in the dollar for some time" had created some turmoil on financial markets that affected different currencies in different ways.

However, he indicated that he would not hesitate to raise interest rates further following last week's 1 percentage point increase in bank base rates to 14 per cent.

"We cannot be indifferent to the level of the exchange rate. We never have been," he said. Mr Lawson said that selling of sterling last week had prompted the British Government to raise interest rates. A fall in the exchange rate relaxed financial pressures in the economy and obliged the Government to tighten policy, he said.

He acknowledged that the rate rise had been followed by a further 1 per cent decline in the pound's value. But he noted that markets were calm and stable yesterday.

All the evidence pointed to a slowing in the British economy, with the housing market particularly subdued and consumer spending more affected by tighter monetary policy than investment.

Continued on Page 22
Editorial comment, Page 20; Markets, Section II

Moscow calls for fibre-optic link between Asia and Europe

By Hugo Dixon in London

THE Soviet Union and seven international groups from Europe, the US and Asia have launched a study into the feasibility of constructing a fibre-optic cable across Russia, linking Europe to the Far East and Japan.

The idea of such a link was initiated by the Soviet Union's Ministry of Posts and Telecommunications. It approached the seven international communications groups: British Telecom, KDD of Japan, OTC of Australia, Stet of Italy, US West, Telecom Denmark and the Great Northern Telegraph Company, also of Denmark.

An advanced communications link between East and West would be important not only in knitting together Europe's and Asia's economies. It would also be symbolic of the new era of improved relations between the two blocs. Fibre-optic cables can carry simultaneously tens of thousands of telephone calls or their equivalent in data.

The eight parties' study of the cost and commercial viability of the project is expected to be completed later this year.

Because of the sensitivity of exporting advanced technology to the Soviet Union, approval may have to be sought from the Co-ordinating Committee on Multilateral Exports (Cocom), the secretive group which vets exports of high-tech products to the Eastern bloc.

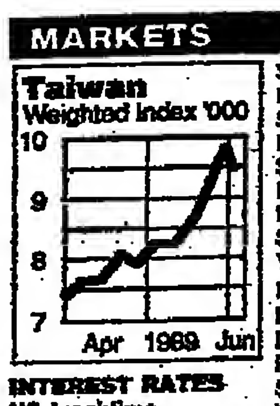
However, one consultant close to Cocom said the group had recently relaxed its rules on the export of fibre-optic technology to the East.

US West, the US communications group, said it had begun discussions with Washington over its participation in the project.

Over the past decade, fibre-optic cables have been laid across the Atlantic, Pacific and Indian Oceans, as well as much of Western Europe and North America, and have improved communications between the US and Western Europe and Japan.

The Eastern Bloc, however, has largely been left out of this revolution. Similarly, the lack of a trans-Asian cable has meant that telecommunications traffic between Europe and Japan has had to be carried mainly by satellite.

MARKETS



INTEREST RATES
US lunchtime
Federal Funds $9\frac{13}{16}$% (11)
3-mth Treasury Bills: yield: 8.89% (8.9)
Long Bond: $102\frac{7}{8}$ ($102\frac{23}{32}$)
yield: 8.6% (8.595)
London
3-month interbank close $14\frac{5}{32}$% ($14\frac{11}{32}$)

STERLING
New York lunchtime
$1.5750 (1.5715)
London:
$1.5780 (1.5725)
DM3.1200 (3.1075)
FFr10.5825 (10.5325)
SFr2.6800 (2.6825)
Y224.50 (223.75)

DOLLAR
New York lunchtime
DM1.9835 (1.9830)
FFr6.7265 (6.7220)
SFr1.70305 (1.7130)
Y142.65 (142.92)
London:
DM1.9830 (1.9755)
FFr6.7275 (6.6975)
SFr1.7040 (1.7055)
Y142.70 (142.30)

GOLD
New York latest
Comex August
$366.6 (366.5)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,496.32 (+16.17)
S&P Comp
322.37 (+1.85)
London:
FT-SE 100
2,103.4 (-11.0)
World:
142.45 (Wed)
Tokyo
Nikkei Ave
33,981.35 (-285.40)
Frankfurt
Commerzbank
1,746.8 (+2.9)

OIL
Brent 15-day (Argus)
$18.075 (-0.15) (June)
West Tex Crude
$19.805 (-0.12)
(July)

CONTENTS

Spirit of glasnost fails to reach Romania

Confronted with a reforming East and a West which now condemns Bucharest's human rights violations, President Nicholae Ceausescu has battened down the hatches.
Page 3

EUROPEAN NEWS

Bangemann will try quiet diplomacy to soothe Thatcher fears

Brussels overture on worker participation

By David Buchan in Brussels

THE EUROPEAN Commission has decided to make a direct approach to Mrs Margaret Thatcher, the British Prime Minister, to try to neutralise her fears about worker participation clauses in a new proposal for a European Company Statute (ECS).

Mr Martin Bangemann, the internal market commissioner, this week persuaded his colleagues that he should be allowed to try quiet diplomacy with Downing Street, instead of formally proposing the controversial plan during the UK's highly-charged European Parliament election campaign.

If, however, Mrs Thatcher proves unbending in her opposition, the Commission is likely to propose the ECS be *decided by majority vote* among the Twelve.

The main aim of the idea, which has been on and off the Community agenda for past 20 years, is that any company that choses to incorporate under such a statute would be set free of member states' company laws, but not taxes. Such "European" companies, the Commission argues, would be a better vehicle for cross-border mergers.

Past ECS plans have always foundered on their worker participation provisions, opposed by the UK but supported by West Germany and a majority in the European Commission and Parliament. Bonn, in particular, insists that no plan to *ease cross-border mergers* can be allowed to let its companies escape from the West German worker participation system.

In reviving and revising the ECS plan over the past year, the Commission has deliberately watered down the worker participation provisions. Member states could choose which of three models would apply to "European" companies setting up on their soil.

One of these optional models is designed to cater for British practice whereby worker information and consultation rights are negotiated in the normal course of collective bargaining between unions and management. The other two models correspond to West German "co-determination", with workers occupying up to half the seats on a company's supervisory board, and to separate workers councils such as exist in France, Italy.

Sir Leon Brittan, the UK's senior EC *commissioner who* backs the Bangemann approach, has further diluted the so-called "British option" by insisting on management's right to manage. Thus, workers would be consulted on the implementation, not the taking, of decisions. Only workers in the company concerned, not national unions, would negotiate this consultation right. Workers would not allowed effectively to veto creation of a "European" company simply by refusing to agree a consultation procedure.

It is by no means clear that such accommodation to the UK would win over Mrs Thatcher, who has already pronounced herself incensed about "Marx*ist" attempts by Brussels to* impose a new social charter on member states. But concessions to the UK could stir trouble in West Germany. While Bonn is likely to insist that any German-based "European" company and its foreign branches apply worker co-determination, employees of a German branch of a "European" company incorporated in London would only be covered by UK consultation provisions.

EC agrees regulations on consumer interest rates

By William Dawkins

COMMON European Community rules on how banks and other lenders should calculate and publish consumer interest rates yesterday won initial agreement from EC governments.

The scheme, cleared by a meeting of EC consumer affairs ministers, means all member states must use so-called compound interest rates for calculating consumer credit after the end of 1995.

Yesterday's accord will eventually make it easier for borrowers to compare the cost of credit between EC countries, rather than having to compare interest rates calculated under different methods giving varying results. It will mean big changes for French and West German credit bodies, which use simpler but less accurate methods than that proposed by the Commission, and opposed *the directive until yesterday.*

The other 10 member states could in theory have outvoted Bonn and Paris. Instead, the majority opted to placate the EC's two largest members by delaying the application of the rules, a compromise offered by Mr Pedro Solbes, the Spanish minister chairing the meeting.

The directive covers interest rates, but not other charges, on bank overdrafts, hire purchase agreements, credit cards and other forms of consumer credit. Under the compound method, interest is recalculated on outstanding principal after successive repayments.

This is how British lenders already work out annual percentage rates. It tends to give a slightly higher figure – closer to the real cost of credit, argue its supporters – than the French way of declaring a simple nominal interest rate.

Treasury fines 28 banks in Italy

By Alan Friedman in Milan

THE ITALIAN Treasury has imposed fines on 28 banks accused of balance sheet irregularities uncovered by the Bank of Italy.

The most frequent type of violation concerns inadequate or improper disclosure of bad debts.

A number of Italian banks are notoriously lax in the way they treat bad debt provisions and the Treasury-imposed fines will hit around 100 executives, internal auditors and middle-level managers.

The fines themselves are of a minor dimension and the Bank of Italy yesterday sought to play down their importance.

The banks that have been accused of insufficient disclosure are for the most part medium-sized or small institutions.

Italian communists seek to justify poll excuses

By John Wyles in Rome

THE ITALIAN Communist Party has promised to publish a dossier in the hope of extricating its leader, Mr Achille Occhetto, from the embarrassment he has created by linking his party's setback in local elections this week to "clientilism" and organised crime in the south.

Many Italians appear to found rather hollow his assertion that his party was penalised "in areas where clientilism and organised crime are strongest and where the state and regard for the law are in greatest danger."

The PCI has an honourable record in standing up against the Mafia in Sicily, but it will be a struggle to convince people that this can explain the slide in its vote in 91 communes – most of them on the southern mainland – from 23 per cent in 1984 to 17 per cent.

Most commentators believe that this decline maintains the nationwide downturn in the PCI's vote of the last six years and owes much more to the party's failure to adapt to the pace of social change.

Mr Occhetto is now leading *it on to a new, social democratic* course and a more conclusive verdict on his strategy will be delivered at the European elections on June 18.

The PCI leader is on stronger ground in complaining about clientilism – the purchasing of votes by a selective granting of favours. But his party is hardly free from all blame – its strength in Emilia Romagna owes something to its allocation of public jobs and money.

The Christian Democrats' dominance in the south has always been firmly based on the exploitation of public office for party political purposes.

Genscher: no compulsion

Genscher raises doubt on missiles

By David Marsh in Bonn

THE West German Foreign Minister, Mr Hans-Dietrich Genscher, yesterday made clear Bonn's wish to avoid deciding in 1992 to update ageing Lance nuclear weapons in the Federal Republic.

Affirming that any Nato decision on Lance modernisation would depend on "security policy developments", he said West Germany would have a hand "in shaping developments so that there will be no compulsion for a follow on system."

Speaking in a Bundestag debate which underlined differences between the government and opposition on the Nato missiles breakthrough, Mr Genscher avoided calling directly for elimination of land-based nuclear missiles in Europe.

He said nuclear weapons would be necessary "as far as we can foresee" to maintain deterrence.

However, his statement is likely to heighten speculation that the Brussels compromise leaves the door open for a "third zero" under which all land-based superpower nuclear weapons in Europe would be scrapped.

Mr Helmut Kohl, the Chancellor, speaking in the same debate, was less clear cut over the Lance issue, repeating simply that a decision would be taken in 1992.

He termed as a "magnificent success" this week's compromise setting out conditions for talks on reducing short range nuclear weapons in East and West which particularly threatened Germany.

Mr Kohl said negotiations on cutting stocks of these weapons would start "at the earliest possible time". The aim was to "synchronise" the start of these talks with implementation of hoped-for conventional force agreement in Vienna, the Chancellor said.

Officials within and outside the Bonn coalition believe President George Bush's accelerated timetable for agreement within six to 12 months may be over-ambitious.

There is widespread agreement that Mr Bush has saved Mr Kohl from tricky electoral wrangling over the missiles. But it is uncertain how many months the satisfaction in Bonn will last.

Mr Hans-Jochen Vogel, the Social Democrat leader, thanked President Bush for making possible the Brussels agreement. But he accused the Bonn Government of failing to make a significant breakthrough over the short range missiles.

He criticised the government for accepting the principle of talks to reduce only partly, rather than to eliminate altogether, the short range weapons.

Mr Genscher declared to the sceptical opposition: "You must have confidence in the dynamism of disarmament and arms control developments." He said Bonn would do everything to ensure that participants at the Vienna talks adhered to the suggested six to twelve months deadline. end

Ligachev ridiculed as 'ignoramus' in Soviet parliament

By Quentin Peel in Moscow

MR YEGOR LIGACHEV, the man regarded as Mr Mikhail Gorbachev's most serious rival in the Soviet leadership, yesterday became the latest butt of ridicule and criticism in the new parliament.

Reviled by the radical wing of the party for his conservative views, Mr Ligachev was dismissed as an ignoramus about agriculture – the portfolio he now holds – by one of the country's leading commentators on farm reform.

The attack followed outspoken criticism of the country's entire economic establishment by a top economist, as the minority progressive group in the new Congress of People's Deputies exploited live television to demand ever more radical and rapid reforms.

The attack on Mr Ligachev, demoted from his ideology portfolio last September and now fighting allegations of protecting corrupt members of the party establishment, came from Mr Yuri Chernichenko, a leading television and newspaper commentator.

"Why has such a politically important sphere – decisive *for perestroika* – been given to a man who is absolutely ignorant about it, and who failed in ideology?" he demanded, to laughter and applause from the auditorium. "How could this happen?"

He added: "We still have Stalinism in agriculture... We have a full dictatorship of the (Communist) party apparatus."

His comments came after a scathing attack the previous day from Mr Pavel Bunich, a leading reform-minded economist, on Gosplan, the central planning agency, Mr Boris Gostev, the Minister of Finance, and Mr Valentin Pavlov, chairman of the state prices committee.

Accusing the authorities of attempting to promote reform through "prohibitions and controls", he called for radical dismantling of the central planning apparatus, and positive encouragement for the fledgling co-operative movement.

"If Gostev and Pavlov remain, there won't be any results from perestroika," he said.

He said that the first four years of perestroika had seen nothing but cosmetic changes, without any serious dismantling of the bureaucratic apparatus.

EC warned over cost of environmental standards

By David Fishlock in Brussels

THE EUROPEAN Community could price itself out of world markets by setting new environmental standards without regard to research costs, a former British Government scientific adviser warned European industrial research executives yesterday.

Sir Robin Nicholson, responsible for research and engineering with Pilkington, the UK glass manufacturer, said it made no sense to set new environmental standards that were slightly beyond the reach of current technology.

New technology might have to be invented to reach the environmental standards, Sir Robin told the European Industrial Research Management Association, in an address on the impact of government and European Community policies on glass-making.

The examples Sir Robin had in mind did not concern his *company directly, but included* new EC emission controls on car engines, and emission controls on industrial plants.

Sir Robin, who was chief scientific adviser to Mrs Thatcher, the UK Prime Minister, from 1981-86, said it would be dangerous to generalise *about the corporate impact of* government and EC policies, even on a medium-sized multinational, such as Pilkington.

Glass-making was largely a consumer-driven business and highly competitive in Europe. But the impact would differ between Pilkington's three major business sectors of safety glass, flat glass and vision correction.

Sir Robin said safety and flat glass manufacture were energy-intensive, but it was not government policies but commercial competition that had driven down its energy requirements per tonne of glass by a factor of three over the last 25 years.

Community governments should not try to dictate which fuels energy-intensive *industries* should use, as it had in the case of the aluminium industry, he added.

Obituary

Alexis Lichine

ALEXIS LICHINE, one of the grand figures of the Bordeaux wine trade, died yesterday at his chateau of Prieuré Lichine in the Margaux district of south-western France. He was 75.

As a wine shipper and a writer, Lichine became one of the great promoters of French wine, especially in the US, winning the epithet "the pope of wine."

Born in Moscow in 1913 and educated in Paris, Lichine emigrated to the US, but returned to France during the Second World War as an aide de camp to General Dwight Eisenhower.

In 1951, he entered the closed world of Bordeaux wine-growers, with the purchase of the chateau Prieuré Cantenac, later renamed Prieuré Lichine, a fourth growth in the grand 1855 classification which still rules the ranking of clarets today. He later acquired Chateau Lascombes, a second growth Margaux.

But it was his writing – in a style which often mingled his twin loves of wine and women – which made Lichine's reputation. "Wines of France," first published in 1979, is now in its fifth edition, while "Alexis Lichine's Encyclopaedia of Wines and Spirits," first produced in 1972, saw its eighth edition last year.

"All the producers of Bordeaux, Burgundy and everywhere else should raise a statue to him," said Mr Paul Bocuse, the famous chef, on learning of Lichine's death.

George Graham

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

Spirit of glasnost fails to reach Romania

Leslie Colitt on the mounting criticism and isolation of President Ceausescu's regime

ROMANIANS were badly demoralised by the West's active support for President Nicolae Ceausescu until the mid-1980s, rewarding his policy of needling Moscow.

They noted bitterly that human rights elsewhere in Eastern Europe were deemed important to the West but not in Romania – until, that is, Mr Mikhail Gorbachev rose to power in Moscow.

Centuries of Romanian mistrust of Russia are melting under exposure to Mr Gorbachev's reform policies. Although the Romanian media reports virtually nothing about the Soviet Union, Romanians stand in knots outside the Bucharest office of Aeroflot, the Soviet Airline, scribbling down the posted schedule of Soviet TV. It is relayed by satellite from Bulgaria and can be received in Bucharest.

Moscow's growing popularity, however, makes President Ceausescu only more determined than ever to resist what he calls "rightist deviation."

Confronted with a reforming East, and a West which now condemns Bucharest's human rights violations, President Ceausescu has battened down the hatches.

When Mr Ceausescu came to power in 1965 Romanians compared him with the revered Roman Emperor Trajan who colonised their forefathers, the Dacians. These days he is more often compared to Emperor Caligula whose rule was one of senseless cruelty, despotism and fear.

But internal criticism is increasing. Prof Silviu Brucan, a former ambassador to the US and the United Nations, is one of a small but growing number of Romanians who is no longer afraid. Until recently he lived the privileged life of a veteran Communist Party official who had served President Ceausescu devotedly. He came to regret his Stalinist past but refrained from speaking out.

Prof Brucan is one of six senior former party officials who two months ago condemned the Mr Ceausescu's one-man rule in a remarkable open letter to the president.

As a result he was moved from his Bucharest home to the town of Zimnicea on the Bulgarian border where he is under house arrest. At least two other signatories including Mr Corneliu Manescu, foreign minister in the 1970s, have also been sent into internal exile. Another, 94-year-old Mr Constantin Pirvulescu, a founder of the party, has been taken from his spacious residence to a heavily-guarded flat in a worker's district of Bucharest.

The six men are anything but reformers and want to rescue the orthodox party from the "cancer" destroying it. It is precisely this which makes their joint letter accusing Mr Ceausescu of destroying the economy and isolating Romania so dangerous.

Despite daily interrogations of between eight and 10 hours – only Mr Pirvulescu was spared – none of the signatories recanted. The letter has won support, however, from up to 30 citizens, several in responsible positions, who have risked imprisonment to sympathise openly with the six men. Their letter undoubtedly rings true to many within the Party.

But officials throughout the party are caught in a vast web of deceit and corruption. Senior state security officers in the omniscient Securitate are fully aware of the economic, political and moral damage wrought by the leadership. They too, however, have been compromised by corruption.

The letter's six signatories tried to encourage resistance to President Ceausescu within the Securitate by noting that it was created to defend socialism from its enemies and not to oppress the populace. But there is no evidence the new Securitate chief, General Iulian Vlad, is a Romanian version of the late Yuri Andropov – the former KGB chief who led an anti-corruption drive.

President Ceausescu, 71, was long rumoured to have been seriously ill, but frequent visits to industrial sites and state farms belie such reports. Although the President has done his best to prevent an orderly succession, the informal list of his possible heirs has grown. It now includes Mr Constantin Olteanu, a forceful Politburo member in his late 50s who served as defence minister and Mayor of Bucharest. For the past year he has occupied the post of Central Committee Secretary for Propaganda and the Media.

Other entries in the wide open race to succeed the President are Mr Emil Bobu, the Politburo member in his mid-60s who shares supervision with Ms Elena Ceausescu of party cadres, and Mr Stefan Andrei, the 57-year-old Deputy Prime Minister responsible for the economy.

Mr Andrei has been actively promoting himself on recent tours in both East and West. But regardless of whether President Ceausescu relinquishes power voluntarily or not, it is thought likely that there may first be a joint leadership.

Ms Elena Ceausescu's position as member of the Politburo, First Deputy Prime Minister and Chairman of the National Council of Science and Instruction derives entirely from her husband. She is deeply resented within the party as is their son Nicu, the First Secretary of Sibiu region, who *similarly profits from* the family's nepotism. The prospect of either of them assuming power is regarded as minimal in Bucharest.

Equally remote is the likelihood that opposition to the Ceausescus among Romanian intellectuals will spread to the long-suffering population.

"Even if power were thrown into our laps we would not know what to do with it," an opposition intellectual caustically remarked.

A strong possibility does exist of another spontaneous revolt by workers such as took place in Brasov in November, 1987. In the past such uprisings remained isolated events because of the enormous security apparatus and what Romanians themselves called the Balkanisation of solidarity among their fellow citizens.

The policies of President Nicolae Ceausescu (left) were criticised yesterday by the International Helsinki Federation for Human Rights which said in a report that Romania's extensive violation of human rights had made it the most repressive country in Europe, Reuter reports from Vienna. "Anyone who expresses views not entirely consistent with government policies – or in particular, with the policies of President Ceausescu – is in danger of being harassed, detained and imprisoned," the group said. The report, to be presented to a 35-nation human rights conference under way in Paris, said it was impossible to estimate the number of political prisoners but listed the names of 33 known cases. The list did not include the many Romanians who, according to the Vienna-based group, are under house arrest or constant police surveillance. The Federation cited reports of ill-treatment among those held, including electric shocks and beatings.

Sweden to abolish foreign currency regulations

By Robert Taylor in Stockholm

THE BANK of Sweden decided yesterday to abolish almost all its remaining currency regulations from July 1 in a further move to deregulate and liberalise the economy.

Mr Bengt Dennis, governor of the Bank, said the present exchange controls system, dating back to the Second World War, had outlived its usefulness and cited the "ongoing international process of financial integration, particularly in the European Community."

Mr Dennis said he expected a net inflow of capital as a result of the decision. He believed it would be easier for smaller and medium-sized Swedish companies to acquire external financing and predicted more competition in financial services in Sweden.

Stockholm analysts said that it could be some time before Swedish institutional investors began to diversify their overseas portfolios through the purchase of foreign bonds.

A small fall in short-term interest rates is expected this month as a result of the announcement; but it had minimal effect yesterday on the Stockholm bourse, where the index rose by just 0.01 per cent.

Mr Kjell-Olof Feldt, Sweden's Finance Minister - speaking in Brussels, where he was visiting the European Commission - predicted some foreign interest in buying Swedish government bonds.

But but he stated firmly that yesterday's move would in not affect his ability to conduct an independent economic policy. "We still have many ways of influencing what happens in the market," he added. However, Sweden's powerful trade unions expressed their opposition to the new decision.

Foreigners will now be able to invest in Swedish bonds and kronor-denominated money market instruments, and to place interest-bearing kronor deposits with Swedish banks.

However, bonds - or any other kronor instruments issued by Swedish credit institutions - that are acquired by foreigners must be deposited with an authorised Swedish bank or a stockbroker authorised by the central bank.

The Bank said the decision would enable companies and individuals resident in Sweden to invest in foreign bonds and overseas real estate; to borrow and lend abroad in Swedish kronor and other currencies; to carry out leasing and other specialised financial activities abroad as well as buy foreign currency through an authorised Swedish bank; to carry out forward foreign exchange and options' transactions in Sweden, and to transfer banknotes and securities in and out of the country.

Some currency controls will remain in force after July 1. These will apply exclusively to deposits made by Swedish companies and individuals in foreign banks and to payments of life insurance premiums to foreign insurance companies.

Cross-border payments will still have to be made through an authorised Swedish bank, while transactions in securities will have to be carried out through an authorised Swedish bank or stockbroker.

The central bank said that some restrictions were being kept to assist tax collection and compilation of balance of payments data.

Mr Dennis said the decision would not lead to any change in the central bank's restrictive monetary and exchange rate policies.

Last January, the central bank decided to allow foreign investors to buy unquoted as well as quoted Swedish shares and lifted restrictions on Swedish investors trading in foreign securities, also allowing Swedish companies to buy foreign property and make foreign investments unrestricted.

Small farmers a big issue in Switzerland

By William Dullforce in Geneva

THE SWISS, financially and industrially one of Europe's most sophisticated peoples, are being asked to vote in favour of peasant farming in a referendum on Sunday.

Proponents of the citizens' initiative "for the protection of peasant farms and against animal factories" see it as the last chance of ensuring the survival of those family farms whose grazing cows add to the charm of the Swiss Alps.

Its opponents regard the proposal as an ill-conceived attempt to distinguish between "good" and "bad" farmers which will have catastrophic consequences for Switzerland's efforts to preserve as much as possible of its heavily subsidised agriculture in the current international negotiations on farm trade reform.

At first glance the weight of the opposition to the initiative appears to be overwhelming. It includes the Federal Council (government), the majority of the Federal Parliament and the Swiss Farmers' Union.

But the Association of Small and Medium-sized Farmers, which is behind the initiative, has evoked a considerable emotional response from the public and won the backing of the Socialists, one of the four parties in the ruling coalition, and of the ecological movement.

More dubiously, in collecting some 127,000 signatures to launch the referendum and in its campaign, the association has been helped by Denner, a privately owned chain of shops. As a result, the media sometimes refer to the Denner *initiative, instead of* to the small farmer initiative. Denner, a newcomer frustrated by its failure to secure all the permits it wants to import wine and poultry, is perceived as having its own axe to grind.

Swiss farming is subsidised more heavily than even that of the European Community, notorious for its costly common agricultural policy. Including the fixed prices, the Swiss as taxpayers and consumers are estimated to transfer close to SFr6bn ($3.5bn) a year to their farmers.

Under the proposal of the small farmers' association government subsidies would go exclusively to family farms capable of providing from their own acres two-thirds of the fodder needed by their animals – or half in the case of mountain farms.

In addition, if the domestic produce did not find a ready market, importers of similar farm products would be obliged to buy it at prices covering the farmers' costs in return for import permits.

Consumers would receive home-grown foodstuffs of better quality, if not cheaper, the association argues. Switzerland would effectively deregulate its import system, since anyone willing to take responsibility for placing domestic produce on the market could obtain import permits.

The big political parties have been scathing about what they regard as an inept and impracticable proposal. The distinction between "good" family farms and "bad" farms which employ (mostly foreign) labourers could mean the disappearance of between 10,000 and 12,000 smallholders and market gardeners, it is claimed.

Sunday's referendum shapes up as a classic contest between sentiment and reason - and the Swiss are reputed for hard-headed pragmatism.

IMF-World Bank issue tops agenda of G10

By Stephen Fidler, Euromarkets Correspondent

FINANCE ministers of the Group of 10 industrialised countries gather in Berne today to discuss the Third World debt crisis for a meeting for which the main item on the agenda has essentially been pre-empted by recent developments.

The agenda is to be topped by consideration of a report by deputy finance ministers on the relationship of the International Monetary Fund and the World Bank and their role in the international debt strategy.

But the report, named after Mr Lamberto Dini, deputy governor of the Bank of Italy, who chaired the meetings of the G10 deputies, has been overtaken both by the US debt initiative launched in March and a Bank-Fund accord announced early in April on the sometimes stormy relationship between the two sister institutions.

The Dini report has essentially been rewritten to follow the lines of that Bank-Fund agreement, and the report endorses the new approach to the debt crisis which places a greater emphasis on accelerating debt and debt service burdens in debtor countries.

The so-called Group of 10 comprises 11 countries – the US, Japan, West Germany, Britain, France, Canada and Italy, which together make up the Group of Seven, and also Switzerland, Sweden, the Netherlands and Belgium. It is now chaired by the Swiss.

EUROPEAN NEWS

Europe's wandering parliamentarians start down new path

Life for MEPs on the so-called Strasbourg 'gravy train' has a fair number of drawbacks, writes David Buchan

MAKERS OF a recent film about sex, blackmail and the European Parliament gave it a title – "Trouble in Paradise in the late Eighties" – that responds to the popular "gravy train" image of the Strasbourg assembly.

The reputation is hard to shake. Members of the European Parliament are paid (because of travel and daily allowances) more than many national legislators.

Their main places of work, Brussels and Strasbourg, are hardly gastronomic deserts. And their weighty deliberations often take them to exotic sunspots: the 66 African, Caribbean and Pacific states which receive EC aid through the Lomé convention provide a wide choice of tropical locations.

The downside of the job for many MEPs is incessant travel and a feeling, widespread until recently, that the real political action is elsewhere, back in national legislatures.

Perhaps because of this sentiment, the parliament is seen mainly as either a stepping stone to national politics (Mr Martin Bangemann, a European Commissioner and former West German Economics Minister, and Mrs Edith Cresson, currently French EC Affairs Minister, were MEPs), or the crown of a career of a national politician (in the case of Mrs Barbara Castle, the 78-year-old British politician who is retiring from the parliament, or ex-President Valery Giscard d'Estaing, who is seeking election next month, and indeed the presidency of the parliament).

But neat generalisation is defied by the careers of others such as Mr Jacques Delors who did a mid-career spell as an MEP before returning to national politics or of Mr Otto von Habsburg, uniquely cast by birth for European, rather than national, politics.

The only political misfits would seem to be the four Danish MEPs who make up the People's Movement against the Common Market. These are the only out-and-out "antis" left among MEPs, though there are those like the Greens who would to transform the Community radically.

EUROPEAN ELECTIONS

An MEP receives the same basic pay as national MPs of his or her country: this is, for instance, £24,107 in the UK, but higher for Bundestag members and lower for Irish, Portuguese and Luxembourg MPs. Those MEPs who have a dual mandate and a seat in their national legislature, as do a number of Italians and a few Britons, get a bit extra.

Additional allowances, however, mean that MEPs often do better than their national counterparts. They receive Ecu 2,246 (£1,460) a month to cover travel within their home country and general office expenses; this allowance is halved if MEPs only attend half the sessions. They can also draw up to Ecu 3,635 a month to hire an assistant/secretary.

Further, Ecu 120 a day is paid for attending plenary and committee sessions. To claim this last allowance, MEPs have to sign an attendance list. The story is told of an MEP who, on being asked by his wife what sort of day he'd had, answered: "So, so – sign on and sod off".

For travel to Strasbourg plenary or Brussels committee sessions, MEPs receive a flat rate per kilometre allowance for the trip they have, or are deemed to have, made from their constituency or regular place of abode. However, not all return home in between such sessions and some have their base in Brussels.

MEPs are nomads among politicians. Some have particular problems. Take Mrs Winnifred Ewing, the Scottish Nationalist MEP for the Highlands and Islands. She not only travels to the Continent three weeks in every four, but has also to get around a constituency the size of Belgium or Denmark.

Mr Jean Crusol has an even more extreme travel problem, as an MEP from the French Caribbean island of Martinique, 8,000 km from Brussels. He has to spend three weeks a month in Europe and away from home.

Common to all MEPs, however, is the trek between Brussels (where their offices and committee sessions are), Luxembourg (where most of the parliament's staff live) and *Strasbourg* (venue for the 12 monthly plenary sessions). The caravan which descends with thousands of metal boxes of documents on the Council of Europe building in Strasbourg for just one week a month, accounts for 10 per cent of the parliament's total budget.

This is essentially the result of the French and Luxembourg governments' refusal to allow the parliament to base itself entirely in Brussels, where it *is* better placed to confront and control the Commission and the Council of Ministers.

But the parliament is beginning to take its fate into its own hands. In January, it voted to move more of its staff from Luxembourg. Mr Enrico Vinci, the secretary general, is in no doubt that there must be a shift of some activities to Brussels, if only to relieve the pressure of business during the Strasbourg plenaries.

"We just have five a days a month for the plenary sessions", he says. "At each session there are 50-60 points on the agenda. For each point there must be 20 minutes of debate.

"We also have anywhere between 500 to 1,000 amendments, and have to spend six to eight hours voting on them. When the parliament votes for three hours, MEPs are under a lot of pressure, particularly when they are voting very quickly, at the rate of 100 amendments an hour and in nine languages".

He sees two possible solutions. "Either we have more *plenary sessions in Strasbourg* – 24 per year taking up two weeks every month. Many French and German MEPs would like this, but it would be *impossible* for officials of the Commission, Council and even the parliament to do this", he says.

So the answer, as Mr Vinci sees it, is "to shift some of the *plenary activities into committees*" which can meet in Brussels. If two or three committees dealing with a subject can meet, and vote, in Brussels, then the Strasbourg plenary need only *take note of* such decisions and save more time for "political debate", he says.

The parliament, maybe using the Westminster ploy of "the committee of the whole house", will probably one day find a permanent home in Brussels. At present that probable home is a hole in the ground which is being excavated very near the parliament offices in the Belgian capital. It is the foundation of a privately-developed, so-called international convention centre, which by autumn 1991 will have a hemicycle seating, as it happens for some 600 people. The parliament has signed a letter of intent to rent it.

Constituency profile:

Cleveland and Yorkshire North

Tory incumbent has to run to stand still

WHEN introducing himself to voters Sir Peter Vanneck, a former Lord Mayor of London and deputy chairman of the Stock Exchange, says he is "running" for the European Parliament.

He stood successfully in 1979 and 1984, and the current emphasis on acceleration reflects the fact that a 0.7 per cent swing to Labour would be sufficient to wipe out the wafer thin majority which secured his return as the MEP for Cleveland and Yorkshire North five years ago.

Sir Peter, a sprightly 67, is well aware that Labour's Mr David Bowe, a 32-year-old science teacher with family roots in northeast England, is breathing down his neck.

Aided by the boost given to his campaign by yesterday's swoop on Teesside by Mr Neil Kinnock, the Labour leader, Mr Bowe is increasingly confident that regular journeys to and from Strasbourg will soon be part of his way of life.

Cleveland and Yorkshire North comprises eight Westminster seats. They include such solid Labour territory as Redcar, Middlesbrough and Hartlepool, along the North Sea coast, and a swathe of lush Tory acres in Richmond, and Skipton and Ripon, to within a dozen miles of the Irish sea.

In such a sprawling constituency, with an electorate of 577,823, there are practical limitations on the use of old style door-knocking.

All five candidates (the Social and Liberal Democrats, the Social Democratic Party and the Green Party are also in the field) are concentrating on agricultural markets and shopping centres for face-to-face encounters with the voters.

The damaging fallout from the attacks made on Mrs Margaret Thatcher by Mr Edward Heath, the former Conservative Prime Minister, has plainly made Sir Peter Vanneck's task still more formidable.

Mr Heath spoke on his behalf when he first sought election to the European Parliament in 1979, and Sir Peter is insistent that his absence from the ranks of the party's top brass drafted in to support him on this occasion is not the work of any "dirty tricks" department at Conservative Central Office.

Sir Peter's view on when Britain should become a full member of the European Monetary System – "We should wait until *inflation is brought down*" – is impeccably Thatcherite.

His fondness for the pragmatic approach shines through when questioned about alarmist reports that there is a possibility of the Thatcherite route leaving Britain in the slow lane as a "two-speed" EC comes into being.

Sir Peter asserts: "I think we must, and will, join before that danger becomes a reality" – an opinion which Mr Nigel Lawson, the Chancellor of the Exchequer, will have an opportunity to endorse when he speaks in the constituency next week.

Other big guns who will be heading for the Cleveland and Yorkshire North constituency include Mr Paddy Ashdown, leader of the Social and Liberal Democrats, and the other preeminent figure remaining from the ruptured Alliance, Dr David Owen, leader of the SDP.

Earlier this year their failure to reach an accommodation led to a self-defeating contest for the centre ground in the Richmond by-election, caused by Sir Leon Brittan's departure for the European Commission.

As a result, *although* what had been a Conservative stronghold was converted into a marginal seat, Mrs Thatcher's majority at Westminster was unaffected.

The two centre ground specialists, both represented by men in their mid-50s, are at it again. Mr Tom Mawston, who has lived in Cleveland for 25 years and is a fireman with ICI, carries the SLD's colours and is determined that there will be no repetition of the humiliation suffered in the Richmond by-election when his party trailed behind the SDP.

Mr Ralph Andrew, the SDP candidate, runs an agricultural seed company from his home in the constituency. He has fought unsuccessfully for a seat in Westminster, and maintains that, despite the pressures which recently forced it to lower its sights, the SDP remains a significant force.

The "thinking voter" is the target of Mr Owen Dumpleton, the Green Party's candidate, who claims that growing acceptance of the need to protect the environment straddles political boundaries.

Voting in June 1984: Sir Peter Vanneck (C) 73,217; P.F.Tinnion (Lab) 70,592; C.Beever (Alliance) 35,916. Con majority 2,625.

TWO FACES OF TEESSIDE: The transporter bridge over the River Tees in Middlesbrough (above) and the city's modern Cleveland shopping centre.

Battle of decibels on West German fringe

By David Marsh in Bonn

BENEATH the frowning pagoda of the Chinese embassy, the good, the bad and the ugly of West German fringe politics came together on Tuesday evening for a European election rally in a Bonn meadow.

The German People's Union (DVU), the ultra-right-wing group run by a fanatical Bavarian publisher, Mr Gerhard Frey, hit the federal capital to extend its campaign for the European Parliament.

The highly nationalist party, opposing German payments to the European Community and favouring "Germany for the Germans", attracted a handful of, mainly elderly supporters, several hundred noisy counter-demonstrators and a large number of purposeful looking policemen.

The Chinese embassy had nothing really to do with the action. It overlooks a patch of parkland on which the People's Union was forced to hold its meeting after being barred use of the Bad Godesberg municipal hall by the local Christian Democrats.

Injuries have been reported at some recent DVU rallies up and down the country. Although one old lady irately chased a young left-winger, and police intervened to break up the odd scuffle, the time mood did not spill over into violence. Demonstrators against the People's Union were even overheard remonstrating over the intricacies of the Marshall plan.

Gerhard Frey's son, a young man of the same name who doubles for his father at such events, bellowed into high powered microphones that the chanting, horn-blowing demonstrators were the best advertisement for his party.

Mr Frey, a great deal better looking than his father, stares with the clear eyes of one who incontrovertibly knows the truth. The cries of "Nazi pigs" seemed only to increase his self-assurance.

He spoke surrounded by a posse of travelling DVU stewards. They are a heterogeneous bunch, some fierce, bronzed and muscular, others gangling and nervous. Their eyes were either rather too wide open, like Mr Frey's, or else almost entirely shut.

Around them stood, in protective wagon train fashion, the forces of law and order. Beneath their green uniforms and bulky riot gear, the police in West Germany these days are hardly distinguishable from demonstrators of right and left. They wear their hair long and tend to have tanned "Miami Vice" complexions.

The leader of Tuesday's squad was hook nosed, balding and with blonde ringlets. With the look of an ageing pop star, he had two silver rings on his left hand and struggled above the din to relay instructions over his walkie-talkie.

Frey's Union speakers shouted insults into the crowd and called for an end to foreign domination of West Germany. Irrationally, they unfailingly addressed the chanters as "esteemed citizens". The meeting ground to a halt with a rendering of the national anthem over the loudspeakers of the party's travelling van.

A pinnacle of German ambivalence, the national hymn has an eerie beauty when played by a string quartet, but can sound like a pub song when blared by amplifier. It was anyway drowned by a chorus of boos and catcalls, so the ever present controversy of whether anyone had sung the nominally-forbidden lines "Deutschland Ueber Alles" did not matter.

Soviet space plans hit by earthly problems

By Peter Marsh

THE Soviet Union's space programme is likely to be *thrown off course* by the country's economic and political changes, according to one of the US's top experts on Soviet space activities.

Mr Nicholas Johnson, a *scientist* at Teledyne Brown, a US aerospace company, says the outbreak of fresh thinking in the Soviet Union about how the country organises itself may lead to less money for space programmes.

These have been financed on a lavish scale, enabling the country to move strongly ahead of the US in some areas, especially manned projects.

In the battles over funding that seem likely over the next few years "few Soviet space programmes will escape unscathed", says Mr Johnson in the latest of his annual reports on Soviet extraterrestrial activities.

He says funds for space exploration are likely to be far less freely given than in the past. Furthermore, the Soviet space community will have to come up with economic arguments to support its case for spending the money.

No official estimates exist for Soviet space expenditure, but analysts believe the figure is at least as high as the US's annual space spending, which runs to roughly $30bn, taking into account both civilian and military projects.

A large proportion of the Soviet spending is directed to support its manned space activities, based around keeping cosmonauts on board the Mir space station.

In a move which some believe signifies a start to the slowing-down of Soviet space extravaganzas, Mir is currently unoccupied and is not due to receive another crew until later this year.

Another blow to Soviet missions above the atmosphere was the failure of two unmanned probes sent to Mars last year to reach their destinations. The ignominious end to the hugely expensive Phobos project, which has been blamed on technical problems, has led to a fierce criticism of engineers and officials.

There has also been no official word from Moscow on when Buran, the space shuttle which made a successful maiden mission last November, will make a second flight.

Some analysts believe that should the space programme run into serious problems, this would also have important consequences for US projects.

The US space programme – especially its space shuttle flights and a grandiose US plan to build in the 1990s a $25bn space station that would be a bigger and more sophisticated version of Mir – relies to a large degree for funding on Congressional leaders keen to demonstrate that America can keep abreast of the Soviet Union in this field.

The Soviet Year in Space 1988 by Nicholas Johnson, available from Teledyne Brown Engineering, 1250 Academy Park Loop, Suite 240, Colorado Springs, Colorado 80910, US.

DISARMAMENT AFTER THE NATO SUMMIT

FT writers assess the prospects for reductions in conventional and nuclear weapons in Europe following the Bush initiative in Brussels

Lingering problems cloud East-West hopes for arms control

EAST and West now envisage greater opportunities for arms control than ever before.

The Nato initiative proposed by President George Bush this week brought forward the prospect for a conventional arms deal, and, despite Mrs Margaret Thatcher's warnings, *for further talks on European-based nuclear weapons.*

In the year since the Intermediate Nuclear Forces (INF) treaty came into force, scrapping part of the superpowers' nuclear arsenal in Europe, the outlook for a new agreement covering conventional weapons has improved.

The disarmament programme is now dominated by:

- The re-opening of the US-Soviet Strategic Arms Reduction Talks (START) in Geneva on June 19 after a seven-month interlude.
- The removal of intermediate nuclear weapons.
- The newly-begun Conventional Armed Forces in Europe (CFE) negotiations in Vienna.

Both Nato and Warsaw Pact proposals envisage deep cuts in Soviet armour, in the West's view the biggest source of military risk – all these add up to an unprecedented arms control momentum.

At the Greenham Common air base in Berkshire, the centre of bitter protests against the siting of US nuclear weapons in Britain, half the controversial cruise missiles are due to be removed this year and the rest by mid-1991.

The focus of disarmament policy has now swung to conventional weapons, where the real economic saving from reductions can be made: mostly for the Soviet Union, since it has the most to reduce. In Nato, the US has already earmarked a large share of the potential economies with Mr Bush's plan to trim stationed forces.

The proposed 20 per cent US reduction of 30,000 combat troops – 10 per cent of its 305,000 total for all ground and air force personnel in Europe – is calculated to leave Nato's "forward defence" policy intact.

But it throws a challenge back to Mr Mikhail Gorbachev, who has already announced cuts of 240,000 troops stationed with Warsaw Pact allies and in the European part of the Soviet Union.

He would need to go much further to match the proposed US ceiling – by US estimates, cutting more than half of 600,000-plus Soviet troops currently based in other Eastern European countries.

There are plenty of potential pitfalls in the way ahead for the negotiators in Vienna, whose main task now will be to digest the new complex proposals and complete a deal in double-quick time – in the first half of next year, by Mr Bush's planning.

As General John Galvin, Nato's supreme commander in Europe, likes to say, nobody knows how long it takes to succeed, but at the previous MBFR troop talks it took 15 years to fail.

Combat aircraft and helicopters are now on the menu with a proposed cut to 15 per cent below Nato's current strength.

Nato did not want to negotiate these for fear of bogging the talks down with questions like which aircraft is counted as being where?

The Soviets have up to now insisted on distinguishing between defensive aircraft (they want to keep them) and strike aircraft (they want Nato to make the bigger cuts).

The INF treaty broke new ground: not just on limits but cuts, destruction of a whole class of weapons, and on-site inspections to ensure nobody cheats. But its scope was unexpected and it was not what Nato might have planned.

Contrary to the idea of favouring longer-range deterrents rather than "war-fighting" nuclear weapons, it left only short-range US nuclear arms on the ground in Europe, heavily concentrated in an uneasy West Germany: thence all Nato's troubles over SNF policy. These were officially buried at the allied summit this week, but are not necessarily dead.

Nato's compromise plan envisaging talks between the US and the Soviet Union on short-range missiles is both very conditional – it will only happen when conventional arms cuts are agreed and being made – and narrow. It excludes other short-range weapons, even though Nato has in the past few years unilaterally reduced its holdings of these, cutting its total of US tactical warheads by a third.

The US says nuclear artillery cannot be verified and wants no unverifiable agreement. France's ground-based nuclear missiles are also excluded. So are present and future air-launched nuclear weapons.

Moscow has warned that Nato foot-dragging on SNF could sabotage the Vienna conventional arms talks. And a new Nato missile to replace the Lance, due to be developed by the US with hard-won moral backing from its allies, is still on the agenda.

In the START talks, aimed at cutting US and Soviet long-range nuclear arsenals by half, with a ceiling of 6,000 warheads on each side, some 350 pages of text have been provisionally agreed. But prospects are overshadowed by disagreement over the US "Star Wars" research programme for a defensive shield against missiles in space.

There are other big problems: among them whether to include submarine-launched cruise missiles, which the Soviets wanting to limit them and the US saying they cannot be verified.

Mr Brent Scowcroft, President Bush's national security adviser, has expressed doubts about the agreement under negotiation and what it would do to make the US land-based missile force less vulnerable to Soviet attack.

Another group of negotiators in Vienna is plodding on with a multilateral regime to ban development and production of chemical weapons.

Western governments, however, are gloomy. Not only is it tremendously hard to ensure proper verification, but they do not believe what Moscow says about Soviet stockpiles and activities.

But perhaps the biggest cloud over the arms control outlook is that East-West progress has done nothing to check proliferation: the growth in chemical weapons, especially since chemicals were used in the Iran-Iraq war, nuclear proliferation, with several countries on the "threshold," and proliferation of the missiles that can deliver nuclear, chemical or advanced conventional warheads.

According to the International Institute for Strategic Studies in London, at least 20 Third World countries have missile programmes, and more than a dozen possess operational missiles. Facing this new threat, the established nuclear powers may be that much more reluctant to disarm.

David White

Defence savings pledge cheers Soviet Congress

THE most popular moment of President Mikhail Gorbachev's state of the nation address to his new parliament this week came when he spelt out the "real" size of the defence budget and the extent of savings to come from his unilateral defence cuts.

Against a background of deep economic gloom, with the reforms of perestroika causing more disruption than expansion in the Soviet economy, the prospect of saving Roubles 10bn (£1.07bn) from the military budget by 1991 produced a rousing round of applause.

The deputies at the Congress had little else to cheer. Shortages of both food and consumer goods in the shops – whether real, or inspired by panic buying – have produced rising popular dissatisfaction. The social services, neglected for years in favour of investment in defence and heavy industry, are in a state of chaos. The biggest single source of popular discontent, Mr Gorbachev revealed, was the lack of decent housing.

At least part of the answer, he declared, was "cuts in military spending and . . . conversion involving the robust potential of defence industries for civilian purposes".

Yet the figures he produced have baffled Western military observers and been widely dismissed as largely meaningless.

He said that the "real figure for military spending" in 1989 was Roubles 77.3bn – compared with the official budget figure of only Roubles 20.2bn. The latter, it was already admitted, only covered personnel costs and their immediate technical and material equipment.

The new figure, however, is far short of Western estimates, which suggest that the true level of Soviet defence spending is at least Roubles 120bn, or around 13 per cent of the projected level of Gross National Product for 1989. Mr Gorbachev may now have included most of the hardware but he has almost certainly still left out a lot of research and development spending.

On top of that, the figure is virtually meaningless for international comparison, unless it includes some of the costing assumptions on which it is based: the official Soviet price system bears no relation to convertible costs.

The truth is that the figure was almost certainly produced more for domestic consumption than international analysis. Anyway, Mr Gorbachev is still treading a fine political line with his defence-cutting policy.

First, there is no doubt that he wants to reduce the military budget. He is convinced that the huge budget deficit, running at around Roubles 100bn, in a Roubles 495bn budget, is a major cause of shortages and inflationary pressure. The state is pumping money into the economy straight from the printing presses.

Secondly, he knows that the defence industry is one of the few relatively efficient sectors of the economy and he wants to convert that to producing consumer goods and food processing equipment.

Thirdly, he urgently needs to boost export earnings, which also requires a much higher standard of manufacturing quality for Soviet goods, only really available in the defence sector.

But against those major economic objectives he has to balance the extreme sensitivity of keeping the military establishment on his side in the delicate political balance of perestroika. Cuts of 500,000 troops in the military establishment are hitting the officer cadres disproportionately.

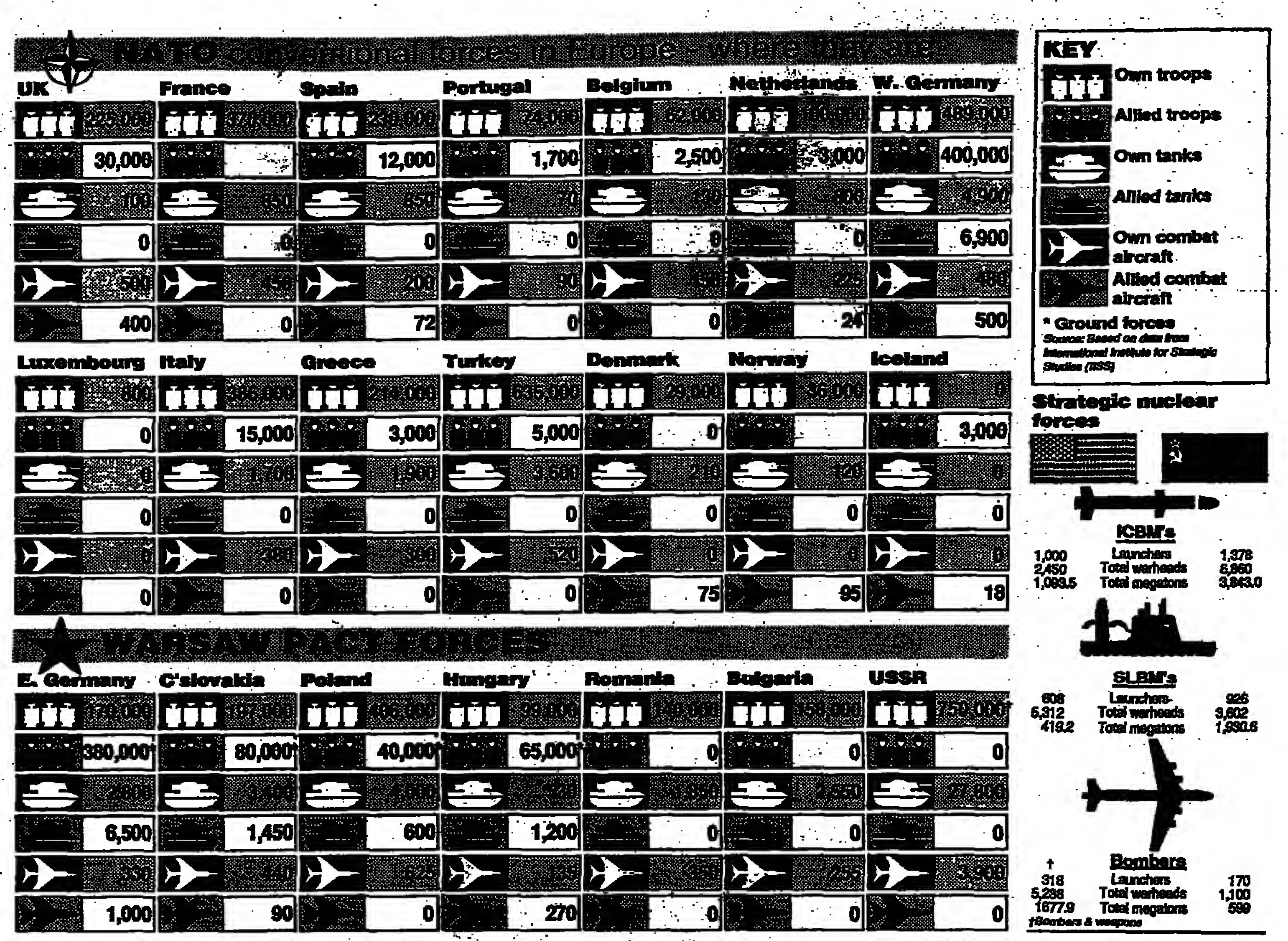
There is also concern in the military establishment at the nationalist demands in the outlying republics.

However, Mr Gorbachev does seem to be winning the popular debate: defence cuts and defence conversion are vote winners, and under the new Soviet system, votes are starting to mean something.

But Mr Gorbachev's promised saving of Roubles 10bn by 1991 looks tiny against the background of a Roubles 100bn budget deficit. Indeed, the cuts are only going to reducing spending by little more than one per cent this year, some 7.2 per cent in 1990, and only the full 14.2 per cent in 1991.

Moreover, it is rapidly sinking in that defence conversion is no panacea for the Soviet economy. The industry may be relatively efficient, thanks to having been given the best equipment and the highest priority for years. But it is hardly geared to producing consumer goods.

Quentin Peel



Stop-Go process of arms control

1925 Geneva Protocol bans the use of poison gases and other chemical and biological weapons in war. Since ratified by more than 100 countries, violated by several.

1963 Limited Test Ban Treaty. No nuclear weapon tests in the atmosphere, outer space or underwater. Agreed between the US, UK and Soviet Union. More than 100 others have signed but not France or China.

1969 US and Soviets begin regular talks on strategic arms.

1969 Non-Proliferation Treaty (NPT), to keep the number of nuclear weapon states down. 134 have signed.

1972 Biological Weapons Convention bans production as well as use, covering 110 countries.

1972 Anti-Ballistic Missile (ABM) Treaty limits US and Soviet defences against ballistic missiles. Both since allege violations and argue about interpretation.

1972 SALT 1 signed by the US and Soviets on interim strategic arms limitations, freezing intercontinental and submarine-launched ballistic missiles.

1973 Mutual and Balanced Force Reduction (MBFR) talks start in Vienna on troop reductions in seven countries of Central Europe where 11 of the 19 participating nations have troops. France stays out. No tangible result by February 1989 when talks are wound up after 493 plenary sessions. The two sides cannot even agree on the title, with Warsaw Pact participants rejecting "balanced."

1973 Conference on Security and Co-operation in Europe (CSCE) starts in Helsinki. The 1985 *Final Act* starts an itinerant "Helsinki process." This includes discussion of Confidence and Security-Building Measures to increase trust and reduce the risk of surprise attack. 35 countries are involved.

1974 Threshold Test Ban. US-Soviet: no tests over 150 kilotons.

1979 SALT II treaty controlling numbers of US and Soviet strategic weapons, never ratified by US.

1982 Strategic Arms Reduction Talks (START) begin in Geneva.

1985 New set of START talks, the fourth series of negotiations on strategic weapons.

1986 Gorbachev plan to eliminate all nuclear weapons by the year 2,000. Nato is not impressed.

1987 INF Treaty to remove and scrap all US and Soviet land-based missiles based in Europe in this range bracket, irrespective of whether they have nuclear warheads. The treaty comes into force in mid-1988 triggering a three-year timetable for the destruction of missiles and launchers. Thorough verification provisions are included.

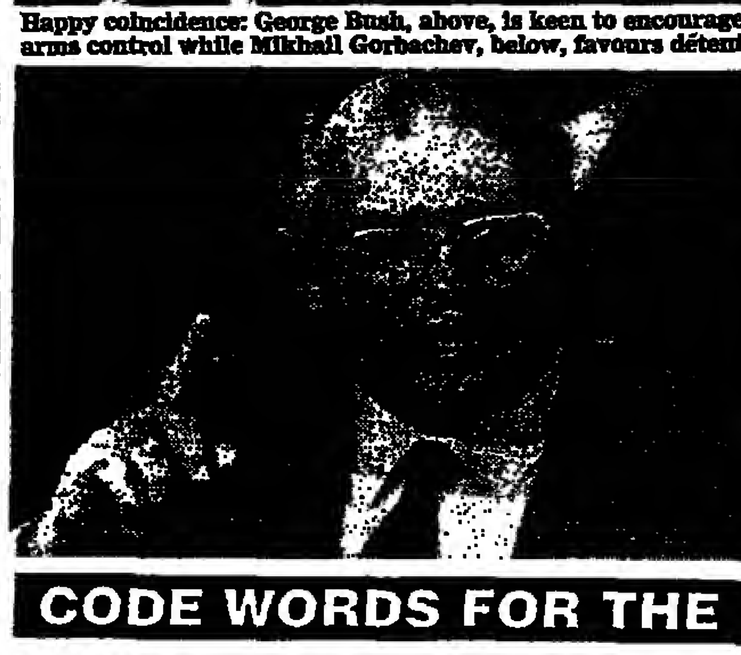
1988. Gorbachev proposes unilateral cuts of 500,000 troops and 10,000 European-based Soviet tanks.

1989 Negotiations on Conventional Armed Forces in Europe (CFE) start in March in Vienna, with all 16 Nato and seven Warsaw Pact members take part. Aims are a balance of conventional forces at lower levels, and elimination of the capacity for surprise attack or large-scale offensive action. The talks cover Europe from the Atlantic to the Soviet Urals, and anything except nuclear, chemical or naval forces.

David White

Alliance sets goal of promoting Warsaw Pact glasnost

Happy coincidence: George Bush, above, is keen to encourage arms control while Mikhail Gorbachev, below, favours détente



ANNIVERSARIES are often artificial occasions, celebrating age rather than real turning-points. But the 40th anniversary of the North Atlantic Treaty Organisation, which has just been marked by a summit meeting in Brussels, could well be an exception to the rule.

The happy coincidence of a new US President anxious to make an impression on world events, encouraging progress in the conventional arms control talks, and a Soviet leader manifestly keen to promote East-West détente, could provide Nato with a badly-needed new impetus.

Compared with the decade following its creation in 1949, when the main emphasis was on building up the military strength of the Alliance as a shield against Soviet expansionism, Nato's new look in the 1990s is likely to be much more appealing to its traditional Warsaw Pact enemies.

President Bush has already said that he would like to switch from the old policy of "containment" of the Soviet Union to its integration in "the community of nations", in recognition of Mr Mikhail Gorbachev's reform programmes and the goodwill he has shown in arms control negotiations and international affairs in general.

The Nato allies, in turn, have responded by the adoption of an important declaration in Brussels which pays much more than lip-service to the need for the Western Alliance to adapt itself to a rapidly changing situation in the Soviet Union and Eastern Europe.

The adaptation of Nato's political and military strategy to changing events is nothing new, though it has sometimes been achieved only with great difficulty and after bitter arguments between the Allies.

The recent quarrels over short-range nuclear weapons in Europe go to the heart of the Alliance's whole military and political policies. But they were considerably less acrimonious than the debates in the early 1980s over the stationing of US intermediate range nuclear missiles in several West European countries.

Although Nato is seen by the general public as mainly an alliance co-ordinating its 16 members' defence policies, it is in fact much more than that.

Its role as a forum in which the US co-ordinates its general policies with its European allies, has grown constantly with the years and has become particularly important since Mr Gorbachev and former President Ronald Reagan gave disarmament a new momentum.

At the same time, the political input into the Alliance's policies by its European members – except for France which withdrew from its integrated command structure in 1966 – has been on the increase ever since the Soviet Union caught up with the US in the strategic nuclear arms race nearly 20 years ago.

The resultant abandonment by Nato of its immediate post-war strategy of massive nuclear retaliation and its replacement in 1968 by the strategy of flexible response, could not have taken place without the full endorsement of the Alliance's European members. For flexible response, as distinct from massive nuclear retaliation, entails the possible graduated use of the entire range of nuclear weapons, including those stationed on European territory, in case a Warsaw Pact attack cannot be halted by conventional means.

The adoption of a more sophisticated strategy, which would serve as a kind of alarm system allowing an aggressor to have second thoughts before setting off a full-scale nuclear war, went hand-in-hand with a revised political strategy for improving relations with the Eastern bloc. The 1967 Harmel Report *laid down a twin strategy* of military preparedness and political dialogue with the Soviet Union and its allies, the most outstanding success of which has been the intermediate nuclear forces (INF) treaty of 1987.

That doctrine has remained the basis of the Alliance's policies until the present day and was reiterated in the Brussels Declaration earlier this week. What has changed is the much greater emphasis that has been put by the Nato heads of government than in the past on the political efforts that they must make to overcome the division of Europe.

The goal is still a strong and united Alliance involving the presence of US forces in Europe and a security system based on a mix of nuclear and conventional weapons. There is a whole new agenda, however, which has nothing to do with military policy.

Nato's explicit objective henceforth is also to help glasnost and promote democracy in Eastern countries, to ensure that human rights and freedom of movement are enshrined in their laws and practices and to seek expanded economic, trade and technological relations with them.

That, perhaps, is as important a message to have come out of the Brussels summit as any troop reduction offer or compromise on short-range nuclear weapons.

Robert Mauthner

CODE WORDS FOR THE NUCLEAR DEBATE

ALCM. Air-launched cruise missile. The US, France and *the Soviet Union* have them. Britain also plans to obtain them.

Ballistic missile. One that follows a ballistic trajectory through most of its flight path.

Cruise missile. Self-propelled missile sustaining its own flight through aerodynamic lift.

Dual-capable. Applied to weapons such as howitzers or certain aircraft designed both for conventional roles and for *delivering nuclear warheads,*

Dual track. The policy Nato used over INF (see below). Decided in 1979, it meant introducing new missiles in Europe at the same time as negotiating limits with Moscow.

Euromissiles. The US Pershing II and cruise missiles deployed in Europe from 1983, which are being removed under INF treaty.

ICBM. Intercontinental ballistic missile.

INF. Intermediate nuclear forces. Ground-based US and Soviet INF in Europe being scrapped under 1987 treaty. Range between 500 and *5,500km.* Weapons with a range between 500 and 1,000km is a separate category, shorter-range intermediate nuclear forces, or SRINF.

Lance. The only US ground-based nuclear missile in Europe after INF removals. Deployed with US and other Nato armies.

MLRS. Multiple Launch Rocket System. A US artillery system with European co-production. Chosen by the US as the launcher for a successor to the *Lance.*

Montebello. A 1983 Nato meeting in Canada which called for modernisation of nuclear weapons. Also decided to dismantle 1,400 warheads, on top of earlier cuts of 1,000.

SLBM. Submarine-launched ballistic missile.

SLCM. Sea-launched cruise missile.

SNF. Short-range nuclear forces, below 500km range. Includes air, sea and land-based. Two sub-categories: battlefield weapons (up to 150km) and tactical (150-500km).

Strategic. Various definitions, but used to mean weapons that can hit US or Soviet territory.

Third zero. Elimination of European-based SNF, or one category of SNF.

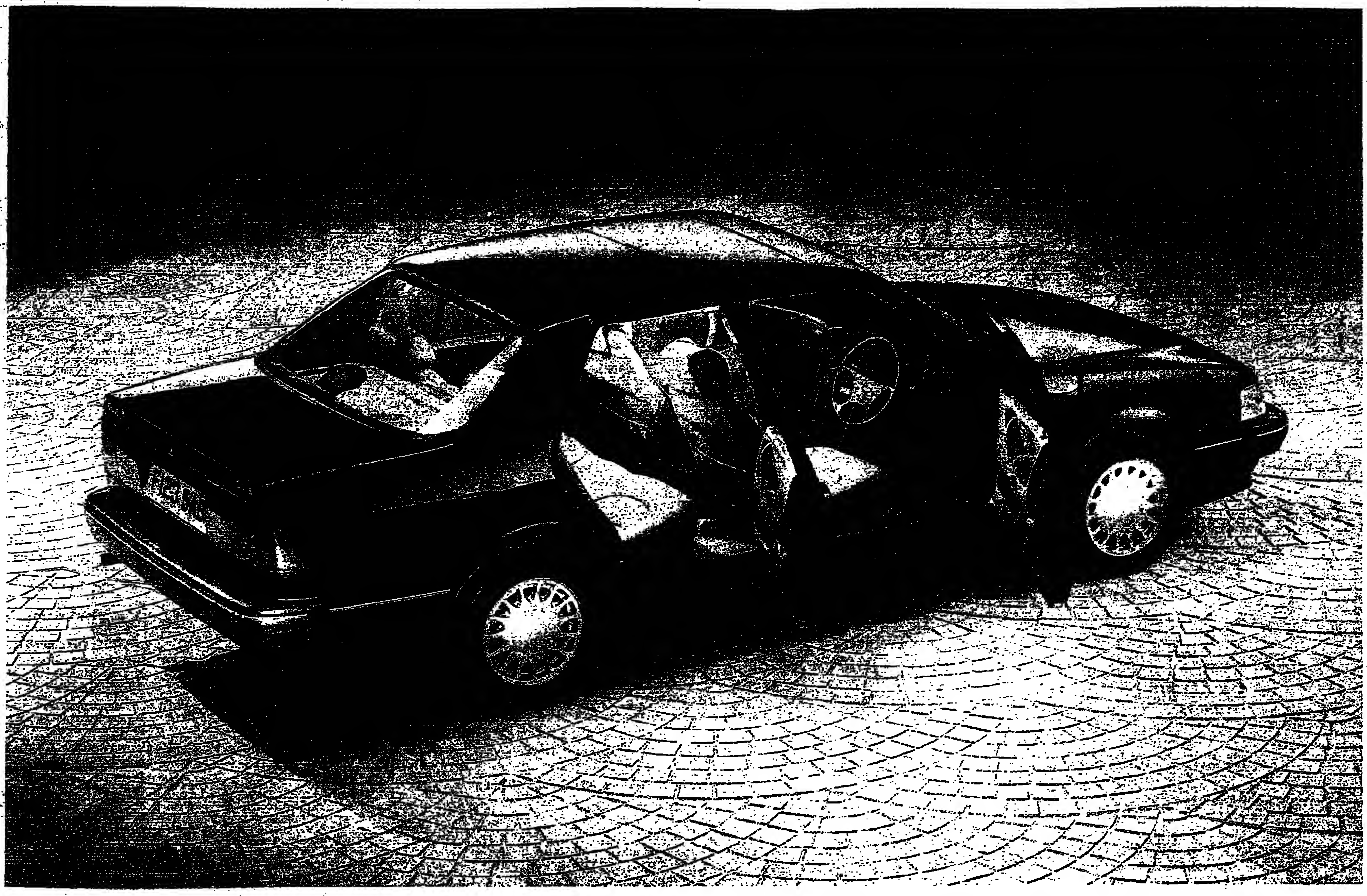
Zero option. In the INF debate, the US proposal to stop deploying if the Soviet Union withdrew all theirs. Moscow unexpectedly accepted.

David White

Short range nuclear missile launchers

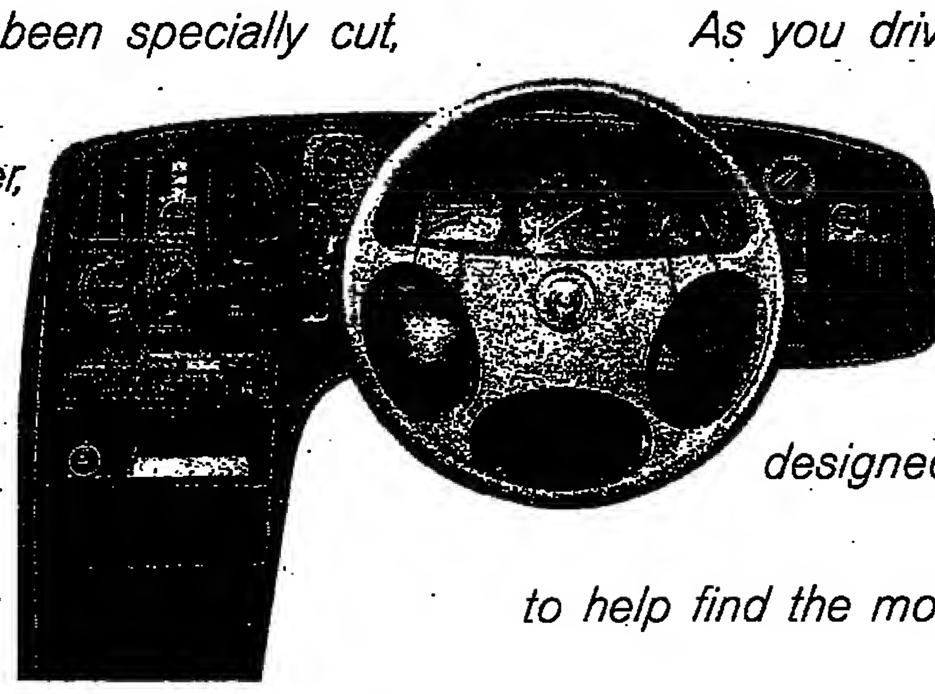
(Atlantic to the Urals)

NATO missile	number	range	Warsaw Pact missile	number	range
Lance	88	120km	Scud	600+	280km
Pluton (France)	32	120km	Frog-7	600+	70km
			SS-21	200	120km
Western figures: total	120			1,460	
Soviet figures: total	136			11,608	



THE DASHBOARD IS THE ONLY THING THAT'S WOODEN ABOUT A SAAB CDS.

Take a seat and absorb the quality and space surrounding you in a CDS. The first thing you notice, is the walnut dashboard in front of you. This wood has travelled all the way across the Atlantic. It's Virginian Black, a burr walnut. It's been specially cut, hand-crafted and given eight coats of lacquer, leaving tones of light and dark that enhance the rich feel of the car's interior.



Now the dashboard's layout catches your eye. Mother nature may have provided the wood, but Swedish Aircraft technology built the car, so the controls are shaped around you like a cockpit. The instruments are large, and easy to read.

You begin to realise, that when Saab make a luxury car, they don't sacrifice practicality. Nor will you find any compromise on space. In the USA the Saab CDS is one of only two European cars officially classified as large. The other is a Rolls-Royce. The Saab, however is designed for drivers, not chauffeurs.

As you drive away, you realise that the luxury features of the CDS are not merely cosmetic. Beneath the leather upholstery, for instance, is a seat designed by orthopaedic experts, with five adjustments, to help find the most anatomically correct, yet comfortable position.

In fact, the car is so comfortable, that you won't want to leave it. Unfortunate, then, that this is the end of your test drive. You turn off the ignition and take a last look around the car.

Touch wood, you'll now be making a purchase.

For a test drive ring 0800 626556.

SAAB CD FROM £15,485 SAAB 9000 FROM £14,895 SAAB 900 FROM £10,995

ALL SAABS SINCE OCT 1984 CAN PERFORM ON LEAD FREE FUEL WITHOUT MODIFICATION. CAR SHOWN CDS £17,795. PRICES CORRECT AT PRESS DATE. EXCLUDE DELIVERY, ROAD TAX, PLATES. FOR DETAILS 0800 626556 OR SAAB INFORMATION CENTRE, FREEPOST CV1 037, STRATFORD. CONTRACT HIRE 0800 626557.

Row grows in Brazil over US ambassador

By Ivo Dawnay in Rio de Janeiro

A FURORE is growing in Brazil over a claim that the US's likely new ambassador to Brasilia attended at least one interrogation of a political prisoner when he served as a vice-consul in north-east Brazil at the height of the repression during the 21-year military regime.

Mr Richard Melton, who was expelled as ambassador to Nicaragua by the Sandinista regime last year, had already proved a controversial choice in Brazil as a replacement for the respected, Mr Harry Shlaudeman.

Mr Melton was a vice-consul in Recifé from 1967 to 1969 when the government of President Emilio Medici cracked down hard on agitators across Brazil.

While no formal objections have been made, diplomats at the Brazilian foreign affairs ministry, the Itamarati, had thinly disguised its unhappiness that the US appeared to be awarding him the Brasilia post as a consolation prize for the Nicaraguan expulsion.

"There's a feeling we are being treated like a second rate country," one Itamarati said.

Now, a new storm has blown up following an allegation by a former Communist Party activist that Mr Melton participated in his interrogation in a notorious Recifé political prison in 1968.

Mr Ricardo Zarattini Filho, now a assistant to a centrist Federal Deputy, has written to Mr Abreu Sodre, the Foreign Minister, asking him to reject the US choice.

Claiming he recognised the diplomat's photograph, Mr Zarattini has declared in a leading Sao Paulo newspaper that Mr Melton had been brought to the interrogation by a local police chief. Mr Melton was vice consul in Recifé at a time when north-east Brazil was of particular concern to the US

The diplomatic row comes at a new low point in relations between Brazil and the US. Washington is stepping up pressure on Brasilia to open up its protectionist trade regime while individual US politicians have been highly critical of the country's ecological record.

Historic handover of power following El Salvador poll

By Tim Coone in Managua

A MILESTONE in El Salvador's political history was achieved yesterday.

For the first time in over 50 years one freely elected president handed over the sash of office to another freely elected president.

Following the result of the March 19 elections, Mr Alfredo Cristiani of the right-wing Arena party is the country's president for the next five years.

The tragic backcloth to this event, however, remains the same – the unresolved conflict over wealth and distribution in a land essentially divided between opulent coffee barons and dispossessed peasants.

Mr Cristiani takes office from President José Napoleon Duarte, who has been terminally ill with cancer for the past 18 months. He has promised to negotiate an end to the decade-long war with the left-wing FMLN guerrillas and to revitalise the economy.

The guerrillas argue that the turnout of only 50 per cent in the polls was a vote for their revolutionary stance, and have promised to make the country "ungovernable" unless the Arena party negotiates seriously with them.

One of several stumbling blocks to this is the controversial figure of Major Roberto d'Aubuisson.

Widely accused of being the brain behind El Salvador's notorious death-squads, he is a leading figure within Arena, and the FMLN is demanding that he be placed on trial as a condition for negotiations.

Major d'Aubuisson represents the hardline of Arena, while Mr Cristiani represents the softer, democratic image. Both sides are competing for ascendancy within the new administration.

However, all are aware that the US Congress has just begun consideration of a new military and economic aid package to El Salvador, one which is likely to take until the end of the year to finalise.

A new crackdown on the left might prejudice the vote. Without US aid, a Cristiani government will be powerless either to negotiate with the FMLN or to revive the economy.

If there is any consensus at all in El Salvador now, it is that the FMLN clearly has the power to bring the country to a halt by transport strikes and power black-outs when it wants.

While Mr Cristiani donned the presidential sash yesterday the capital was left without public transport. The military establishment recognise that they cannot militarily defeat the FMLN, but at the same time the FMLN seems incapable of bringing about the collapse of government they have been aiming at for the past 10 years, a sign that not all is going in their favour.

The stalemate calls for a solution. But with both sides seeking a stronger bargaining position first, and which in El Salvador seems to require a military preponderance, the only outcome for the new administration seems to be all too familiar – more war.

Manufacturing productivity up

US NON-FARM productivity fell at an annual rate of 1.1 per cent in the first quarter, according to a revised estimate issued by the Department of Labour yesterday, Anthony Harris reports from Washington.

However, farm productivity rose sharply and manufacturing improved its performance at an annual rate of 2.1 per cent. Construction and services were facing depressed markets in the quarter.

The figures show that manufactured goods labour costs remained tightly controlled, with unit labour costs up only 1 per cent from the same quarter in 1988. By contrast, unit costs in the whole non-farm sector had risen 5.3 per cent. Hourly compensation, including non-pay benefits, rose at a 5.4 per cent annual rate in the quarter, exactly in line with consumer price inflation. The implicit price deflator for all business output rose 3.6 per cent in the quarter, reflecting poor overall productivity.

Argentina calm after three days of riots

By Gary Mead in Buenos Aires

A TENSE calm reigned over Argentina yesterday after three days of serious rioting in shanty-towns on the edge of Buenos Aires and slum districts in other big cities.

Emergency food supplies were being distributed in the worst-hit districts, as heavily armed police mounted guard over the few supermarkets to have survived the recent rampage.

Unofficial estimates of deaths increased to 16 yesterday, following the death of a woman in San Miguel de Tucuman. She died after 600 kilos of sugar fell on her in a store which a group had been attempting to loot.

In Rosario, the site of the worst lootings, shops reopened yesterday but few had anything left to sell and fears grew that many people who had not participated in the disturbances would soon begin to run out of all basic commodities.

Rosario police have started legal action against 20 people accused of carrying guns and of having incited others to plunder supermarkets. Half are believed to belong to the left-wing political party Moviemiento a Socialismo. Mr Luis Zamora, a national congress deputy for MAS, yesterday called for their immediate release. Mr Zamora claimed that 1,300 people have been detained in Rosario since Sunday, when trouble first broke out.

The rioting was sparked by a severe deterioration in Argentina's economy, with hyper-inflation rapidly eroding wages.

Mr Jesus Rodriguez, who last weekend was appointed Economy Minister, said yesterday there were "technical reasons" why a slowing of inflation might be expected, although he did not indicate why or when.

He added that the central bank would soon issue sufficient bank notes to relieve the cash-shortage crisis which has crippled many banks.

Continuing high wage settlements being achieved by more militant trades unions are likely to put further pressure on inflation.

Political thaw set to follow end of Pinochet winter

Robert Graham, recently in Santiago, reports on Chile's smooth and apparently unstoppable transition to democracy

AS the leaves yellow and fall in the smog-filled Santiago autumn, General Augusto Pinochet seems set to spend his last winter as Chile's military ruler – such has been the political change since he lost his presidential referendum last September.

The terms of political reference have ceased to be how long the 73 year-old general might stay in power. Instead it is a question of how he will leave office.

"The Pinochet regime is fast atrophying," says Mr Sergio Bitar, former minister in the Popular Front government under the late President Salvador Allende. At the other end of the political spectrum this view is echoed by Mr Andres Allamand, heir apparent in Renovacion Nacional, the largest right-wing grouping. "This government is in a terminal phase," he says.

Only hardline elements in the Army, the most conservative of the three services, seem still unwilling to recognise that an unstoppable momentum has built up behind the process to transform military rule into a democracy.

Gen Pinochet's decision on Wednesday to accept amendments to his rigid 1981 Constitution is the most significant pointer to the progress now being made towards a smooth transition.

Back in April Gen Pinochet refused to go along with any ammendment to the Constitution, provoking a major confrontation with Mr Carlos Caceres, the civilian Interior Minister and de facto Prime Minister. Mr Caceres had initiated contacts with the opposition political parties on the understanding that the Constitution would be altered to remove anomalies in advance of December's presidential and parliamentary elections.

Mr Caceres immediately offered his resignation on the grounds that constitutional amendments were the only means of ensuring a consensual transition process. Gen Pinochet accepted his resignation but within 24 hours was obliged to reinstate him on his own terms when all the civilian members of the cabinet lined up behind Mr Caceres. It was the first time the general has been seen to give ground so publicly and on such a sensitive issue.

The amendments, to be put to a referendum in August, do not include any change to provisions that permit Gen Pinochet to remain as the commander-in-chief of the army for another four years after he is due to relinquish the presidency in March 1990. But they do facilitate the operations of the opposition for the December elections and have increased the number of elected senators in the upper chamber of Congress. "The reforms are insufficient but they open the door to an orderly transition to a fully democratic regime," Mr Patricio Alwyn, the Christian Democrat leader said yesterday. He has been the principal opposition negotiator with Mr Caceres.

The politicians' growing presence on the national stage has provoked the occasional rumble from the military, but the atmosphere both in Santiago and the other main cities has been exceptionally calm. Government proceeds on an almost dogged business-as-usual basis. Such tranquillity is undoubtedly encouraged by the strength of the economy.

The economy is expanding at a phenomenal 8.6 per cent against 7.4 per cent last year. Fears of over-heating still have not prevented economists from estimating annual inflation of around 17 per cent. High copper prices meanwhile continue to provide a significant cushion and have pushed reserves close to a record $3bn.

The scare of the poisoned grapes exported to the US in March has not been forgotten; but its effects have been absorbed. The foreign debt has been cut to $17bn and there is an unabated flow of foreign companies seeking investment through debt-conversion mechanisms. The opposition has sounded warning bells on the need to raise wages substantially; but events in neighbouring Argentina and Peru have had a sobering effect and Chile's economic stability is much prized, even on the left.

The increasingly powerful business community was nevertheless dismayed by the refusal on May 19 of Mr Hernan Buchi, the former finance minister, to stand as an independent presidential candidate. As the acknowledged architect of Chile's economic recovery since 1982, Mr Buchi had been intensely canvassed, not only as the acceptable face of pinochetismo, ensuring continuity in economic policy, but also because he was a highly attractive candidate – young, sporty, intellectually brilliant.

In the two months that Mr Buchi's candidature was promoted, he emerged as the one serious pro-government contender with a chance of winning. His decision not to stand was taken on the grounds of his being temperamentally unsuited to the rough-and-tumble of political compromise.

The period for registering presidential candidates is liable to be extended until July, but this still leaves the government little time to groom a viable candidate. It looks almost certain that the opposition candidate will be the veteran Mr Alwyn, who has been the effective chief opposition spokesman for almost a year.

A second opposition candidate could still stand to represent the left. However, polls show Mr Alwyn with over 40 per cent of support and liable to pick up more votes still on the basis of being the person most suited to promote national reconciliation. Against him, the right will probably back Mr Sergio Jarpa, the former interior minister and leader of Renovacion Nacional.

The opposition parties' talks on how to distribute seats in parliament among themselves are proving complicated. However, it would be surprising if these tensions were allowed to interfere directly with their acknowleged goal to ensure that Gen Pinochet leaves office and that political life, artificially frozen since 1973, is fully restored. The main issue ahead is going to be what happens to Gen Pinochet after he leaves office, especially if he insists on his right to remain as head of the Army.

Key reform of Chile constitution agreed

By Barbara Durr in Santiago

THE CHILEAN Government and the country's opposition have agreed a series of reforms of the military's 1981 Constitution after nearly two months of difficult negotiations.

A text of the changes was not made public, but General Augusto Pinochet announced them in outline in a nationwide television address on Wednesday night.

The reforms, which fall short of several opposition demands, must now be approved by the four-man military junta that acts as the regime's legislature.

They will be then submitted to a national plebiscite, probably during the first half of August.

- Although the appointment of members to the Senate was not eliminated – as the opposition had wanted – the number of directly elected senators has been increased from 26 to 38. There will be at least nine appointed members.
- Future amendments of certain parts of the constitution were made easier by dropping the requirement that these be approved by two successive congresses. Instead, these amendments will need a two-thirds vote of the Chamber of Deputies and the Senate.
- The next president will be elected for only four years instead of eight, and will not be able to succeed himself.
- The provision of the constitution that outlawed Marxists has been redrafted so as to assure "true and responsible political pluralism."

Gen Pinochet also indicated an amendment of the provision related to the National Security Council, whose powers and composition the opposition wanted to change. But he added that the constitutional provisions on the armed forces had remained intact.

Mr Patricio Aylwin, the Christian Democrat who is the opposition's most likely presidential candidate, said that while the opposition had some reservations about the Government's final reform proposal, it acquiesced "in the spirit of reaching a consensus."

Chinese authorities crack down on foreign press

By Robert Thomson in Peking

THE CHINESE authorities have prohibited press coverage of the army and virtually banned contact between foreign journalists and Chinese citizens, as student protesters remain encamped in Tiananmen Square and the political power struggle continues behind closed doors.

In harsh measures reminiscent of the late seventies when the "bamboo curtain" was still in place, the Communist Party yesterday extended its martial law press restrictions to ban coverage of the military without prior approval of the Peking municipal government.

Contact between foreign reporters and Chinese citizens was made illegal by a decree that Chinese are not allowed to visit the homes or offices of overseas journalists to discuss anything related to martial law.

Until now, contact between the two groups has been relatively free, although foreign correspondents are regularly watched by security personnel. The clampdown follows massive Western media coverage of China's democracy campaign, and a general refusal by journalists to observe press restrictions and stay out of Tiananmen Square.

Zhao Ziyang, the party chief

Zhao Ziyang: disappeared from sight

at the top of a purge list, has disappeared from sight and no longer appears to have any officialresponsibilities. His name has been omitted from a list of leading identities in the official Peoples' Daily, and there are continuing rumours that he is under house arrest.

With paramount leader, Deng Xiaoping, and a group of elderly conservatives in control of the party and the military, Zhao and his progressive backers seem destined for dismissal once the party's ruling central committee convenes for its fourth plenum.

The meeting was expected this week but with some delegates sympathetic to Zhao and his reform policies, Deng is having to use his considerable bargaining skill to ensure a unanimous condemnation of the party boss.

There are indications that final charges against Zhao and at least some of the reformers will be toned down from initial attempts to paint them as conspirators, but only to win over doubtful votes, and avoid widespread negative public reaction.

Tiananmen Square - last week the scene of huge anti-government rallies - was quieter yesterday, with less than 10,000 students still staging a sit-in to highlight their demands for political and press reform. But with several organisers of an illegal independent workers' union, and other activists in both Beijing and Shanghai, in jail, the atmosphere remains tense. Students plan to stay on until China's parliament, the National Peoples' Congress, meets on 20 June, but signs are that the authorities will attempt to regain control of the square before that date.

Iranian leadership battle heats up

THE RACE for the future leadership of Iran is gathering pace since the disclosure that Ayatollah Ruhollah Khomeini, the country's 87-year-old spiritual leader, underwent surgery last week to stop intestinal bleeding, write Kamran Fazel in Tehran and Victor Mallet in London.

Yesterday Ayatollah Khomeini was allowed out of his sickbed for an hour to meet relatives and pray in the hospital gardens, according to Tehran Radio, but it was not clear if he was in a wheelchair or walking.

On August 18 Iranians are to go to the polls to elect a new President and take part in a referendum to approve or reject constitutional amendments - still being negotiated - which are likely to give the presidency increased executive powers.

Hojatoleslam Ali Akbar Hashemi Rafsanjani, the popular speaker of the Iranian parliament and acting armed forces chief, is so far the only candidate.

More controversial is the future of the spiritual leadership of Iran. Ayatollah Khomeini is regarded by his supporters as irreplaceable and he forced his designated successor, Ayatollah Hossein Ali Montazeri, to withdraw in March.

Since then Hojatoleslam Ahmad Khomeini, the Imam's 43-year-old son and personal secretary, has carved out a more prominent public role for himself, partly by criticising Ayatollah Montazeri.

If, as seems probable, no single man is found to replace him in the event of his death, the constitution provides for a three to five-man leadership council.

French conference on Cambodia

France is to host an international conference on the future of Cambodia in early August, a few weeks before Vietnam is scheduled to withdraw troops from the country it has occupied for a decade, the foreign ministry announced Thursday, AP reports from Paris.

France will serve as the venue for a roundtable July 24-25 between Cambodian resistance coalition leader Prince Norodom Sihanouk, Hun Sen, leader of the Vietnam-installed Cambodian government, and representatives of the Communist Khmer Rouge and the anti-Communist Khmer People's National Liberation Front.

Jordanian debt

Jordan, hit by price riots in April sparked by an IMF-inspired austerity programme, has asked the Paris Club of creditor nations to reschedule its government-guaranteed debts, Reuter reports from Amman.

Talks between Jordan and the Paris-based club of major Western country creditors are expected to start in mid-July.

The April riots, in which 11 people were killed and the government of Prime Minister Zeid al-Rifai toppled, were triggered by price increases of between 15 and 50 per cent on petrol, consumer goods and services.

Sri Lanka talks

General Kalkat, the Indian Army Commander, arrived in Colombo yesterday for talks with the Sri Lankan defence Minister as the violent campaign against the presence of Indian troops on the island worsened, writes Mervyn de Silva in Colombo.

Prominent Indian citizens are to be given special police protection and Indian banks and business establishments will be guarded following the latest anti-Indian campaign by the extremist Sinhalese JVP.

Canberra unveils radical reform of docks

By Chris Sherwell in Sydney

AUSTRALIA'S slothful docks and inefficient shipping industry face their biggest-ever shake-up under a brace of reforms unveiled by the Labor government yesterday.

In a long-awaited announcement, Mr Ralph Willis, Transport and Communications Minister, told parliament the reforms would "dramatically transform" the two maritime industries over the next three to five years, with major savings for the economy.

Under the changes to the docks:

● Employment arrangements in the stevedoring industry will shift from the current practice of industry-wide employment to enterprise-based employment, and will entail changes to union representation at small ports, international container depots and bulk terminals.

● Some 3,000 ageing employees will be made redundant over three years, and 1,000 younger ones will be recruited.

Savings will be at least A$620m per year, although the government will commit a sum of A$154m towards redundancy payments.

● The port authorities will commercialise their operations and encourage competition for stevedoring and towage services, again with large productivity improvements.

Under the shipping changes:

● Crews will be reduced on existing ships from an average 29 to 21 over three years to save a total of ausdols 60m in crew costs by 1992 and A$50m a year thereafter.

● On the most modern ships crews will be trimmed back to 17-18 before 1992, and potentially to 14-16 with redundant training courses.

● About 1,000 jobs may be lost, and the government will contribute a third of the estimated A$80m required for voluntary early retirement schemes.

● The system of cabotage, which effectively prevents foreign competition in coastal shipping, will not be retained, but the permit system which provides for such competition is to be made more flexible.

● If lower freight rates do not result, the government will consider introducing price as a criterion for foreign entry.

● The current advantageous fiscal regime for new ships will be extended for another five years beyond 1992. Other grants and fuel benefits are also being offered.

Yesterday's announcement was the result of numerous reports made to the government over the past five years. It is widely seen as a test of its commitment to structural reform of the economy.

In his speech, Mr Willis lambasted the maritime industries' "gross inefficiencies," saying they had restricted the country's economic growth, reduced living standards and impaired the development of export markets.

Improvements rested substantially on the cooperation of the parties involved, he said, but we are "crucial to our future economic well-being."

Violence stalks companies which balk at unionisation in S Korea

With tact and respect foreign organisations can avoid a bitter round of confrontation, writes Maggie Ford from Seoul

ON the same day as the union at Barclays Bank in South Korea was denouncing management as "colonial and authoritarian", a small foreign delegation visited a patient in a Seoul hospital.

The delegates, from the International Metalworkers' Federation, were there to present a $1,500 cheque to Mr Lee Kang Wook, who has been in hospital with severe burns for nearly six months.

Mr Lee works for Motorola, the US electronics manufacturer which has a factory making semiconductors and mobile telephones in South Korea. He was set on fire during a battle for union recognition at the plant late last year.

Emotional language and occasional outbreaks of violence have characterised labour management relations at a number of foreign owned and joint venture companies in the past two years since the country's democratic reforms began.

But managers at the large majority of companies and plants which have developed harmonious bargaining arrangements stress that good relations are not impossible to achieve.

Heated incidents have almost always involved companies which are accused of treating workers dishonestly, with contempt, or where workers believe that manipulated violence, usually in the form of "save the company" squads, has been used to intimidate workers.

The Government's policy is not to interfere in disputes, but the Labour Ministry announced this month that foreign company chiefs would be banned from leaving the country and have their property seized if they failed to pay wages, severance pay and other money owed to employees or were suspected of being about to renege on their obligations.

The Government is also planning to introduce a law requiring new foreign investors to deposit three months'

Worker with burns to face and body after a clash at Motorola

staff wages in an independent bank before setting up in Korea. The move follows the recent closure of three companies, and the departure abroad of their executives, owing hundreds of thousands of dollars in back wages.

Companies which have strongly resisted the setting up of unions include IBM, Motorola and Tandy Electronics, all of the US, and a number of small Japanese companies. At Motorola the union was recognised after US embassy mediation earlier this year following the incident in which Mr Lee and other workers were set on fire.

Union officials report however that workers are still being intimidated and the union leader has not yet been allowed into the plant. The South Korean union is the first ever formed at a Motorola plant and the dispute is being closely watched by international union organisations, including the IMF and the United Auto Workers in the US.

Other companies including Siemens of West Germany and Tandy Electronics have transferred production to Korean-owned plants. After the closure of the Tandy plant, angry women workers took the Korean chief executive hostage for a week.

Outbreaks of violence have been far more common at production plants than in financial or professional subsidiaries such as foreign banks or companies like IBM, where workers' grievances have mainly been expressed through publicity in the media.

Last year a dispute at the Seoul branch of Westpac, the Australian bank, rapidly escalated into heated allegations of racism and injury to national pride when the manager stepped on a strike wallposter and attempted to move the business of the branch off the premises during a staff sit in.

After demonstrations outside the Australian embassy and wide media coverage, the manager was withdrawn and replaced with a Korean. The branch, which makes good profits, this year awarded the highest pay rise of all foreign banks.

Foreign managers in South Korea with good labour relations say that the secret of success is a sincere and preferably flexible attitude to pay negotiations in what is clearly a difficult transition period for the country.

Korean workers respond well to foreign companies who look for ways to make the staff feel part of the company and who respect their dignity. Although annual pay rises are averaging between 20 and 25 per cent this year as workers catch up with past restrictions, most companies appear to feel able to remain competitive for the present, though they will look for more moderate rises in the future.

Some of the companies that have closed appear to have been showing low profitability for reasons such as the appreciation of the won currency, poor management or the provision of low tech, low value goods more appropriately produced in countries like China or the Philippines. Some workers suspect that companies have used union negotiations as an excuse to shut down such companies.

Fairchild Semiconductor, the US company which recently announced closure of its Korean plant in an international company reorganisation plan, negotiated the closure with its workers and has experienced no difficulties.

Thailand's growth roars ahead

By Roger Matthews in Bangkok

THE expected easing in Thailand's rate of economic growth has failed to materialise during the first four months of the year, causing economists and politicians to revise again their estimates for the full year.

Earlier predictions of 8 per cent made by the Bank of Thailand and others now appear too low as trade and investment have continued to expand impressively.

The Cabinet, which had been forecasting an average 5 per cent annual growth during the life of the sixth five-year plan (1987-1991) has revised this figure to 7.5 per cent in the light of last year's 11.1 per cent growth, and the increasing evidence that this year could be close to 10 per cent.

According to provisional figures released yesterday, Thailand's exports totalled nearly $6bn during the first four months of the year, an increase of 30 per cent over the comparable period of 1988. Imports rose, however, by 32 per cent with the current account deficit widening to $372m, double that of a year earlier. But with foreign investment continuing to flow strongly, the overall balance of payments surplus has widened in the first four months to over $1.5bn, which was about the average forecast for the full year.

At the end of the first quarter Thailand's reserves had grown to a record $8.3bn, equivalent to more than four months imports.

Recession dogs the Israeli economy for another year

By Hugh Carnegy in Jerusalem

ISRAEL'S economy is stubbornly refusing to revive after more than a year of stagnation, prompting anxiety among officials and the business community and putting finance minister Shimon Peres under increasing pressure.

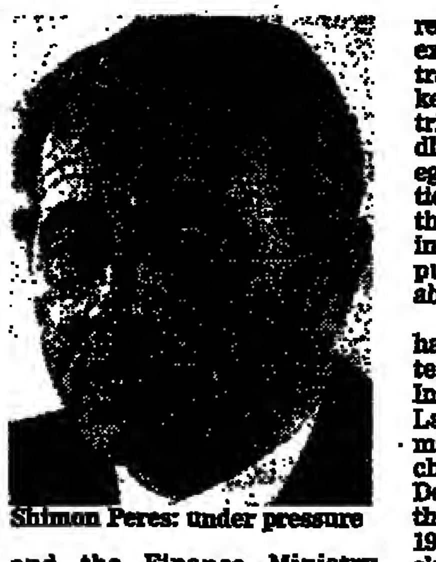
Exports and investment have continued a decline started last year, industrial production has failed to pick up after a 3 per cent fall in 1988, unemployment has risen to more than 8 per cent, inflation is at an annual rate of more than 15 per cent and the government's budget deficit is likely to exceed last year's outturn of around three per cent of gross domestic product.

This week, Mr Michael Bruno, governor of the Bank of Israel, the central bank, blamed the effects of the Palestinian uprising in the occupied territories for prolonging the recession. It has hit construction and tourism particularly hard and demand for Israeli produce.

Mr Bruno said he still expected an upturn in the second half to take real GDP growth to slightly more than 2 per cent for the year. He also said the annualised inflation rate could be in single figures by the end of the year.

However, other senior officials and business figures detect little sign of an upturn and are pressing Mr Peres to take steps to stimulate growth.

There is general agreement that a package in January of subsidy cuts, a wage agreement which allowed employers to settle for less than the inflation rate and a hefty devaluation of the shekel was a step in the right direction. Mr Bruno



Shimon Peres: under pressure

and the Finance Ministry argue that these need more time to have a positive effect.

But industrial leaders in particular want further downward adjustment of the shekel, which was frozen for two years before the January devaluation, and measures to reverse worryingly low levels of investment.

Mr Peres says he is considering moves such as investment grants and new funds for high risk investments. He is also committed to loosening the government's tight control over local capital markets in which more than half of all pension and savings funds have to be invested in government bonds. There are gradual moves to reduce corporate tax rates and the Bank of Israel last month forced commercial banks to cut very high lending rates.

The government has ruled out further devaluation, however. Mr Peres and Mr Bruno remain committed to using the exchange rate as a tool to control inflation, regarding it as a key element in reversing the triple-digit inflation of the middle of the decade. Their strategy is to concentrate on inflation while gradually reducing the state's historically big role in the economy, in which the public sector accounts for about 60 per cent of GDP.

Exchange rate policy is perhaps the biggest bone of contention in economic policy. Industrialists such as Mr Dov Lautman, president of the manufacturers' association and chief of the textile company Delta Galil, say the freezing of the exchange rate in 1987 and 1988 was the main cause of the slump in growth and investment.

The debt crises last year in the Kibbutzim movement and Koor Industries, which together make up a large chunk of the economy, and the effects of the uprising also contributed. "But," says Mr Lautman, "the intifada is only a minor part of the problem."

One undisputed effect of the uprising is the pressure it adds to the public purse. The military wants an extra shekels 450m from Mr Peres this year to cover its costs of policing the intifada. There are also additional budget claims to cover rising immigration this year - mainly by Jews from the Soviet Union and Argentina - and the costs of bailing out the Kibbutzim and Koor.

Mr Bruno issued a stern warning to Mr Peres not to let these claims bloat the deficit, but in the present economic climate something will have to give.

Bhutto faces big test over budget deficit

By Christina Lamb in Islamabad

MS Benazir Bhutto confronts her first real test tomorrow when she presents Pakistan's budget. As Prime Minister of Pakistan's first popularly-elected government in 12 years, she faces immense expectations but her room to manoeuvre is severely limited.

An agreement with the IMF forces her to tackle a crippling fiscal deficit while figures just released show that in the last year inflation has doubled to 11 per cent, exports have declined sharply and industry has fared disastrously, particularly large scale manufacturing.

The economic report issued by the Finance Ministry shows that despite a substantial increase in agricultural production, Pakistan failed to reach its target growth rate of 6.9 per cent, achieving just 5.1 per cent.

Export earnings grew only 1.7 per cent to $4.44bn against a growth target of 12 per cent, mainly due to a decline in sales of cotton yarn and garments and worsening terms of trade.

Foreign debt has reached $14bn, with the result that debt servicing, together with defence spending, now accounts for 80 per cent of government current expenditure.

Neither of these can be reduced. Ms Bhutto is left with the option of increasing taxes and cutting subsidies to reduce the budget deficit. In the first year of the IMF agreement this came down from 8.6 to 6.7 per cent of GDP, mostly through cutting spending on development programmes.

Last month the IMF agreed to relax the pace of reform. The deficit is now to be cut to 6 per cent of GNP in this budget instead of the 5.5 per cent initially demanded.

Fearing a backlash, the government has taken out a series of frontpage newspaper advertisements complaining of the economic mess it inherited. However, Ms Bhutto, who holds the finance portfolio, is facing criticism for planning to leave on a trip to America immediately after announcing the budget. She hopes that the goodwill she receives there as well as agreements on aid for education and health programmes and 60 F-16 fighters for the army will lessen resentment to the tougher measures.

The opposition intends to organise anti-American street protests during Ms Bhutto's absence hoping to embarrass her.

Glasnost finds remotest corner of Moscow's sphere of influence

Victor Mallet visits a small town in Marxist South Yemen and discovers a refreshingly comic approach to perestroika

THE wind of change blowing through the Communist world has reached one of the remotest corners of the Soviet sphere of influence, the town of Mukalla in the People's Democratic Republic of Yemen.

On the eve of Workers' Day in Mukalla's open-air theatre, officials of the ruling Yemeni Socialist Party, having recited brief and formal speeches in support of scientific socialism, sat back and watched the local comedians mocking government bureaucracy and inefficiency to guffaws from the crowd: in one popular sketch a doctor examines his agonised patients and diagnoses rheumatism from standing in queues and abdominal pains caused by housing shortages.

"We are beginning *perestroika* in a democratic way and these things tonight are our form of *glasnost*," said Mr Ahmed Abdullah al-Majidi, the regional party secretary, after the show.

His views are echoed in South Yemen's capital Aden by government ministers and by foreign diplomats from East and West. Over the past year South Yemen, the Arab world's only Marxist state and one of the poorest, has increasingly admitted the mistakes of the past, repaired relations with Arab neighbours and the West, and made efforts to reform the ailing, state-dominated economy.

Yemenis have a long history of political and tribal violence, but they were shaken by the bloodletting in the 1986 civil war between the former President, Mr Ali Nasser Mohammed, and his opponents in the party. At least 2,000 people were killed after he had his rivals gunned down at a Politburo meeting, although he was eventually defeated and is now based in Damascus.

Since those traumatic events South Yemen's rulers have had to come to terms with an acute shortage of foreign exchange and the threat of isolation at the foot of the Arabian peninsula.

Western governments insist that Soviet aid to South Yemen has fallen sharply, although that claim is strenuously denied by the Soviet Embassy in Aden. What is certain is that Moscow is preoccupied with the problems of *perestroika* at home and impatient with its expensive and old-fashioned allies in Africa and the Middle East. Ethiopia and South Yemen may give the Soviet Union a useful strategic chokepoint at the mouth of the Red Sea, but they are less attractive when detente is in vogue and when Moscow is trying to woo South Yemen's conservative, anti-Communist neighbours, in particular Saudi Arabia.

Aden has watched with concern as the rest of the Arab world coalesces into economic and political groupings where South Yemen is conspicuously absent, first the Gulf Cooperation Council and now the Arab Cooperation Council of Iraq, Egypt, Jordan and North Yemen.

At the same time remittances from more than 100,000 South Yemeni workers in the Gulf - the remittances are the lifeblood of an economy which imports 10 times as much as it exports - have fallen by half in the last five years to an annual $250m or less. The Soviet Union has found oil in the Shabwa region, but it is likely to be some time before exports begin to provide a significant income for the government.

It is against this background that Aden has been mending fences with neighbours and potential donors. Government ministers have busy travel schedules, to Egypt and Jordan, Rome, Paris and Scandinavia.

Last year President Haidar Abu Bakr al-Attas visited the Sultan of Oman, the first presidential visit to this long-time enemy since the British left Aden in 1967; and this year three British minesweepers and a support ship called at Aden port, again for the first time since the revolution. The government has even hinted at the imminent restoration of relations with the US. "We feel it's about time we had contacts with everybody," says Mr Farouq Hakimi, the Deputy Information Minister.

Despite continuous border disputes, even the relationship with Saudi Arabia is marked by less mutual suspicion. Ties with North Yemen are now particularly close, with both countries declaring their desire for unity and agreeing to share the possible oil wealth of a disputed border area. Citizens can now travel easily between the two.

At home a number of economic and political reforms are under way. Some of those arrested after the fighting in 1986 have been freed and there is talk of introducing a more democratic election system. Newspapers are more open in their criticism of the government's performance.

Farmers and fishermen are allowed to sell more of their produce in the souks - the free market - instead of sending it all to the cooperatives or the government marketing organisations. Agricultural taxes have been reduced and some state procurement prices increased. Yemenis agree that there are now more vegetables and fish available as result of the reforms, and government officials are not afraid to admit past errors. "There were defects in marketing and labour productivity," says Mr Hasan Hubeishi, Deputy Minister of Trade and Supply. "There were decreases in production in a number of areas."

Short of revenue, the government is even considering introducing charges for education and health. Rich Yemenis living in Saudi Arabia and elsewhere, and foreign companies, are being urged to invest in joint ventures with the state, although a new investment law has yet to be completed.

All but the most optimistic of South Yemen's 2.4m people realise there is still a long way to go on the road to reform. Investors will remember the nationalisation programme of 1969 and they are aware of South Yemen's poverty and instability. They are unlikely to rush to participate in government-controlled joint ventures.

For several years the bazaar merchants who remain in Aden have found it impossible to obtain import licences except for a few essential items. The average South Yemeni has a life expectancy of only 43, and real gross domestic product is barely at the level it was in 1983.

Thousands of businessmen and administrators have fled north with their skills to escape political repression and economic decline since 1967, and they are reluctant to return to a country where the state and the party are all powerful and unpredictable. In South Yemen - as in several of the reforming socialist states of Africa - the wind of change is still only a hesitant breeze.

Rivals cut prices in bid to win EFA radar deal

By David Goodhart in Bonn

THE TWO consortia bidding for the contract to build radar systems for the European Fighter Aircraft (EFA) have cut the prices of their bids significantly. A decision on the approximately £1.5bn order is expected soon.

The EFA partners are divided over which bid to accept, with Britain, Italy and Spain behind the ambitious ECR 90 radar system being developed by Ferranti with Fiar (Italy), Inisel (Spain) and Siemens (West Germany), while West Germany is pushing for the tried and tested MSD 2000 system developed by AEG (West Germany), Fiar, Inisel and the UK's GEC-Marconi, based on a system made by Hughes of the US.

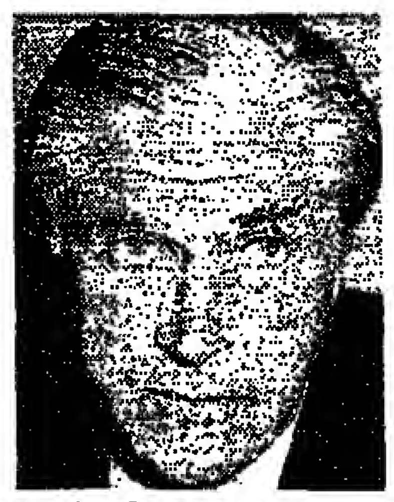
Earlier this week the steering committee of the Nato EFA Management Agency (NEFMA) failed once again to reach unanimous agreement on which bid to accept. It is thought that the West Germans will eventually accept the ECR 90 but first they want assurance that cost over-runs will be fairly shared.

According to Interavia Air Letter a further meeting over distributing responsibility for over-runs will be held this weekend which could produce definitive support for the ECR 90 next week. It is more likely that the decision will be referred to National Armaments Directors who are to meet later this month.

According to NEFMA officials German anxieties over cost over-runs on ECR 90, which would require re-opening the issue in the Bundestag, ought to have been soothed by the recent round of price-cutting by both the AEG-led consortium and its Ferranti-led opponent. AEG entered a last minute bid cutting its price by nearly 10 per cent. This was subsequently matched by Ferranti. There is now said to be little to choose between the two offers on cost grounds. Defence analysts say the price cuts mean either that the original bids had enormous profit margins built in or that most of the contractors will now be making losses on the deal. However one UK official pointed out that apparent price cuts can be made by shifting work from the development to the production stage.

The silver lining in Africa's debt clouds

Equity swaps and debt discounting are providing an incentive to foreign investors



Tiny Rowland: modern success story

IN THE age of Cecil Rhodes, investing in Africa was not usually a complicated affair. Carved up by European treaty, the continent's vast mineral resources, huge tracts of land, and limitless pools of cheap labour were rarely the subject of delicate negotiation. Financial expertise was not ultimately one of the more practical aids to making money work in Africa. Quinine, locomotives and the Maxim gun were.

But if foreign capital was lured to Africa by what seemed the continent's enormous potential, a century's experience has taught investors that not even the most arbitrary methods are any guarantee of dividends. Littered from Senegal to Zambia with the wrecks of ambitious private investment projects, Africa has a way of defeating even the most confident and carefully-laid investment schemes.

Certainly there are modern success stories – Mr Tiny Rowland's Lonrho empire is only one case in point – but for every investor who has scaled a financial Kilimanjaro there are 20 who have gone down in Africa's economic quicksands.

If the continent's potential remains largely just that – potential – it is because the problems involved in exploiting it are huge. Even in the colonial period African investment was high-risk investment. Today, after nearly three decades of independence, the chances of failure are much higher.

To an initial and still strong ideological resistance to foreign investment on the part of most African governments can be added a whole range of obstacles and disincentives: parastatal monopolies, overvalued exchange rates, low, fixed producer prices, lack of raw materials, foreign exchange retention and remittance limits, land ownership laws, and the simple logistics of supply and transportation. This is just the top of the list: combined to the political insecurities that characterise the continent, they are enough to turn most investors away.

But as Africa's economies evolve, so too do the opportunities they present. Five years ago, for example, potential investors would have seen Africa's heavy indebtedness to Western commercial creditors as the last area in which they might find any benefit. Today, however, debt discounting and debt-for-equity swaps form a new generation of investment instruments that offer hope to both foreign investors and local economies.

Africa may never turn into an investment paradise, but according to consultants specialising in small and medium size investment in Africa, the observance of some basic ground rules can eliminate much of the risk involved and make venture capital operations viable.

Choosing an investment project that offers reasonable prospects of returns with a minimum of complications is an obvious prerequisite, but many potential ventures go aground right here. In most African countries the state has intervened heavily in a wide range of productive sectors regarded as essential to domestic interests: simply finding an area in which pricing and marketing regulations permit freedom of operation and adequate profit margins is a major step.

In these conditions it is generally only export-oriented investments that are seen as viable: they escape the constraints of domestic markets, provide the foreign exchange necessary for recurring imported input costs, and allow the repatriation of profits.

Commodity agriculture, tourism, and value-added processing are among the foreign exchange earning activities less subject to government intervention.

Identifying projects with low foreign exchange costs is a second major hurdle to be overcome. Most investment consultants agree that any project requiring a high proportion of start-up and recurrent costs in foreign exchange stands little chance of success. They emphasise instead labour-intensive projects: the higher the local currency component, the greater is the chance of working inside a profit margin. This rules out many high tech operations and those requiring heavy investments in imported capital equipment or raw materials.

In addition, many investors claim that projects can be viable only if local currency can be purchased at a considerable discount. With many African governments anxious to dismantle commercial foreign exchange debts built up over time in central banks, debt pipeline discounting is now in fact becoming a major incentive to local investment.

Rather than sitting on debts that may never be honoured, many companies are willing to sell them to foreign investors at discounts of up to 75 per cent. Creditors are satisfied to recuperate at least a portion of the foreign currency owed them, while the bank settles the debt transferred to the foreign investor in full, but in local currency equivalents. Another alternative is the debt-equity swap, in which creditors, rather than selling debt to third parties, swap them for local currency equity in new investment projects at highly preferential rates.

In the financing of any investment package, consultants stress the importance of obtaining as wide a range of investment partners as possible. One foreign investor willing to put up the project's foreign exchange component is essential: the local currency component can be obtained through a variety of sources. A typical package would include equity and investment funds from pipeline creditors, local investors, and increasingly, international private enterprise promotion agencies.

Examples of these are The World Bank's International Finance Corporation, the US Overseas Private Investment Corporation, and Britain's Commonwealth Development Corporation. Grant aid from international development agencies can also be enlisted to improve infrastructure around project locations.

Land rights for agricultural, tourist and industrial development sites can also pose problems to foreign investors. These obstacles can be reduced if public authorities support or are given representation in the investment. Specialists argue against any form of partnership with parastatal companies, but land held through local or district councils in return for an equity share in the investment can often resolve major difficulties.

These are only a few of the considerations that must go into a successful investment in Africa only an intimate and detailed knowledge of complex local conditions and regulations can allow a competent evaluation of a project's viability. For this reason the services of locally-based consultants are indispensable.

But even here there are pitfalls. Feasibility studies giving investment go-aheads are not always to be trusted: they are often undertaken on behalf of principal investors who are also contract suppliers. Interested primarily in start-up sales, they are little interested in long-term returns or the fate of distant investment partners.

If caution, thoroughness, and an ability to spot risks as well as opportunities are prerequisites to setting up investments anywhere in the world, they are especially so in Africa.

We must change, admits top Japanese trade official

By Ian Rodger in Tokyo

JAPAN still has "lots to do" to get rid of structural obstacles to imports, a senior official of the Ministry of International Trade and Industry admitted yesterday.

Mr Takeshi Isayama, director of Miti's Americas and Oceania division, welcomed the US proposal last week that the two governments discuss structural obstacles to trade flows. "I hope we will engage in real discussions. We have lots of ideas."

He said most of the bilateral trade imbalance was due to US *structural problems, but Japan* too had some obstacles. There were still some elements of Japanese business practice that differed too much from international standards, and the Japanese people had to get over what he called their "obsession with destitution syndrome".

He said Japanese people were still too concerned about the country's lack of resources. Thus they worked too hard and they were inclined to accept policies permitting government to allocate resources rather than let market forces prevail. "This practice must be changed," he said.

Mr Isayama said that now that Japan's economy was large, Japanese business behaviour had to set an example for others. Elements of it that excluded foreigners would have to be changed. He said *Miti was willing to move expe*ditiously on some problems, such as the rigidity of distribution channels, by the end of this year, but it hoped US businessmen would modify some of their business practices too, such as a too narrow focus on the domestic market.

He regretted the US decision last week to single out Japan as an unfair trading nation under the 1988 Trade Act, but accepted it in a longer view of US trade policy. He said the US had been extremely generous in setting up the free trading system after the war, giving most countries big advantages to help rebuild their economies. Now that many of those countries were strong, it wanted to remove the advantages. And since Japan was the country that enjoyed the biggest surplus, it should help the rest of the world.

Mr Isayama said Miti was willing to look at any ideas to promote imports. It had set itself the objective of making Japan the world's largest importer (it is now fourth after the US, West Germany and the UK) and was doing everything it could to encourage foreign businessmen to come to Japan.

Hills offers Gatt talks in Super 301 peace move

THE United States yesterday appeared to offer an olive branch in the dispute with its major trading partners over it decision last week to name Japan, Brazil and India as unfair traders under the Super 301 provisions of last year's trade act, writes Peter Norman in Paris.

Mrs Carla Hills, the US Trade Representative, told the Financial Times that negotiations with the countries identified as unfair traders could be brought within the framework of the General Agreement of Tariffs and Trade.

Mrs Hills gave no details about how such a move – which could defuse international criticism of the US for taking unilateral rather than multilateral action to redress its trade disputes – could be put into effect. She added that the idea has not yet been discussed with Japan, India or Brazil.

But she pointed out that both the Super 301 decisions and the present Uruguay Round of Gatt trade liberalisation talks were designed to expand trade and open markets and that the US goals were consistent with discussion in Gatt.

Mrs Hills said the US and Japan would hold talks about the Super 301 decisions.

She also disclosed that the two countries would start discussions around the middle of this month on the separate US initiative to correct Japanese structural impediments to trade between the two countries.

Brazil to ease import ban

By Ivo Dawnay in Rio de Janeiro

BRAZIL is expected to publish a newly reduced list of prohibited imports early in the second quarter aimed at cutting back sharply the 1,300 products still banned from entry.

But officials of Cacex, the state trade agency, insist the move is part of an ongoing liberalisation process, not a response to the US's targetting of Brazil under its Super 301 trade legislation.

At the same time, the government has renewed its attacks on the American decision. Mr Paulo Tarso Flecha de Lima, head of the Foreign Affairs Ministry, described the US strategy as "illegal" and "aggressive."

The US is known to be irritated at the slow progress of Brazil's strategy of eventually ending import substitution.

Under this policy, Brasilia intended to "liberate" 5,000 products for import by the end of last year.

That timetable was put back by 12 months last November and there remain at least 1,300 products still to be granted import authorisation. Cacex is now believed to be attempting to reduce the total to 300.

Venezuela cuts import tariffs

MR Carlos Andres Perez, the president of Venezuela, has announced a big reform of tariffs and import regulations, writes Joe Mann in Caracas.

The reform, part of a general economic adjustment programme unveiled by the Perez administration in mid-February, was designed to reduce gradually protection of domestic industry, and make it more competitive. The main elements are cuts in tariffs this year to 80 per cent ad valorem for imported consumer goods, and to 50 per cent for other items; these to fall to 20 per cent by 1993.

UK funding policy to be reviewed

By Simon Holberton, Economics Staff

THE GOVERNMENT is reviewing the way it operates monetary policy and changes which might reduce its need to buy in gilt-edged stock and have the effect of raising long-term interest rates.

Mr Nigel Lawson, Chancellor of the Exchequer, has asked Treasury officials to investigate suggestions about changing the Government's funding policy.

The officials will consider ending the distinction now made between financial institutions from which the Bank of England buys government stock to compensate for the budget surplus.

This would mean redeeming a smaller volume of gilt-edged stock than the current rule requires. The effect would be to raise long term interest rates in the UK.

The Government is under pressure over its handling of the economy but the reappraisal of the techniques of monetary policy does not appear to be in response to the pound's current difficulties. Some in the City of London financial markets have suggested that a change in policy could help support the pound.

If the Government modified its funding policy, Mr Lawson would be likely to outline it in the autumn when he delivers his annual address at the Mansion House, home of London's Lord Mayor.

Senior Whitehall officials said the Government was looking at the way the activities of the local authorities and banks affected the money market under the operation of the current funding policy. "The fundamental policy remains unchanged," one said.

The Government is planning to buy back up to £20bn of gilts this year, including redemptions. A change to the current funding rule would reduce this requirement by about £5bn.

The Government's current policy of full-funding the public sector borrowing requirement means that it has to buy back gilts equal to the budget surplus and foreign exchange intervention in support of sterling.

This has had unintended consequences in the money market where large an continual cash surpluses have appeared. Officials said the Government would consider current arrangements for local authority financing and sales to the Bank of England of gilts held by banks and building societies which do not currently count towards funding.

● The steep fall in the liquidity of large industrial and commercial companies during 1988 continued into the first three months of this year, according to official figures published today.

Current assets as a percentage of current liabilities dropped from 75 per cent in the fourth quarter of 1988 to 72 per cent in the latest quarter, the Department of Trade and Industry figures show.

It was the fifth consecutive quarterly fall from a peak of 116 per cent at the end of 1987.

A large part of the fall results from high cash expenditure on acquisitions since the stock market crash of October 1987.

Recent quarterly figures show a slowdown in the rate of fall. However, the decline in liquidity might be placing a financial constraint on any future investment by companies. That could worsen if high interest rates discourage companies from borrowing to pay for capital expenditure.

Nuclear fuel group gets go-ahead on share issue

By Maurice Samuelson

BRITISH NUCLEAR Fuels, the state-owned radioactive fuel reprocessing company, has been given clearance by the Government to offer a shareholding to would-be customers as part of its drive to expand its international business.

Mr Christopher Harding, chairman, said in London yesterday that the first offer had been made to the West Germans, who will require alternative facilities to reprocess power station fuel if, as seems likely, they stop work on their own reprocessing centre at Wackersdorf, Bavaria.

BNFL has told its other customers – including the Central Electricity Generating Board and the Japanese electricity industry – that they would all be made similar offers in the course of negotiations for future business.

The West Germans are likely to be interested in the offer. But it is not clear whether it will appeal to National Power, a proposed private successor to CEGB.

The CEGB, as well as the South of Scotland Electricity Board, have long complained that BNFL's prices are too high. The electricity industry is developing its own facilities to store spent nuclear fuel in a bid to strengthen its bargaining position with BNFL.

The offer of shares was made amid negotiations on the second phase of contracts for use of the £1.8bn Thermal Oxide Reprocessing Plant (Thorp) at Sellafield, due to open in 1992.

The Thorp plant, designed to handle 7,000 tonnes of waste fuel during its first 10 years, is already assured of contracts, worth £4.8bn, for 6,000 tonnes, supplied in equal proportions from nuclear plants in Britain, Western Europe and Japan.

The share offer would be linked with contracts due to start at the end of the plant's first 10 years. As BNFL will insist on maintaining control of its own business, the size of the individual offers would depend on the number of potential participants.

BNFL has made the offer to match competition with Cogema, its French counterpart, which is also seeking reprocessing orders from West Germany.

Picture: Lydia van der Meer

Election brief: Kate Hoey and Roy Hattersley, Labour deputy leader, tour a London post office

Labour fields the 'model soldier' for Vauxhall poll

Philip Stephens reports on the party's prospects

THERE IS an air of unreality about the Vauxhall by-election campaign. It might have contained the ingredients of a significant political upset.

The Labour Party, though defending a typically large inner London majority, has been embroiled in an embarrassing public row with local left-wing party members. It has fallen out with activists in the local black community by refusing to field a black candidate.

The local council – Lambeth, south London – is one of the handful of allegedly "loony left" authorities which remain a source of recurring nightmares for Mr Neil Kinnock, the Labour leader.

So the decision of Mr Stuart Holland, the former Labour MP, to swop South London for the more cultured pastures of a teaching post in Florence, brought back the spectre of another Greenwich or Bermondsey, where Labour lost seats to the centre parties.

The risk for Mr Kinnock's freshly-respectable image was that – as happened in those two constituencies – the voters would ignore Labour's national policies and react instead to the "antics" of the local hard-left.

So far, however, he appears to have had few sleepless nights. With voting now less than two weeks away, on June 15, the mood so far can best be described as somnolent.

The usual rhetoric is there; in Labour's attacks on Prime Minister Margaret Thatcher's record on economic and social policy and in Tory and Social and Liberal Democrat (SLD) assaults on the eccentric behaviour of the nuclear-free, socialist republic of Lambeth.

The decision this week at a public meeting of black residents to select the Rev Hewie Andrew, a Methodist minister and one of their own community, to challenge Labour has generated a flurry of excitement. Mr Andrew will also be fighting another black candidate, Mr Rudi Narayan, who is standing as an independent Labour candidate.

What is missing is any real sense that Labour's 9,000 majority is under threat. Ms Kate Hoey, Labour's candidate, appears confident that she is guaranteed a victory.

Imposed by the party's National Executive after Mr Kinnock vetoed the preferred, black candidate of the local party, she appears an ideal soldier in Labour's new model (and moderate) army.

That means she is regarded by some on the executive of the local party as almost as much a pariah as Mrs Thatcher. It also means that she probably goes down well with local Labour voters.

There is still, of course, time for things to go wrong. But if Ms Hoey, well-known in working class London for her courses for aspiring young footballers, sticks to her carefully-scripted brief it is hard to see what.

Vauxhall is the sort of constituency that Labour can only throw away rather than lose.

Stretching down from the Thames river it is the classic impoverished inner city area sprinkled with pockets of gentrified affluence. If Mrs Thatcher's revolution has pushed home ownership nationally up to 62 per cent it has hardly touched Vauxhall. Less than 15 per cent of the population there own their homes. Unemployment, especially among young blacks, remains chronically high. The average figure for the constituency is about 12 per cent, but in the poorest areas it is close to 20 per cent.

That is hardly natural territory for the Tories. Mr Mike Keegan, a local councillor, is putting up a decent fight. Supported on most days by senior ministers he has an endless list of horrors to tell about Lambeth council.

Mr Keegan insists he can win. But the best he can realistically hope for is that a good showing in Vauxhall will provide him with a strong platform for a Conservative seat.

Motorola plans $50m investment in Scotland

MOTOROLA, the US electronics group, plans to spend a further $50m this year on new equipment at its chip manufacturing plant in Scotland following a similar investment over the last 12 months.

The company is developing its UK operations, located at East Kilbride, as part of its reentry into large-volume production of memory chips.

AUT calls off action

Britain's long-running university pay dispute was settled yesterday when university lecturers voted narrowly to call off their industrial action, finally lifting the threat to this year's exams for 70,000 students.

Belfast conviction

Two men were yesterday convicted of the murder of two British soldiers who were beaten and shot after straying into the funeral of an Irish Republican Army member.

Alex Murphy, 31, and Harry Maguire, 20, both of Belfast, were sentenced to life in prison for their part in the West Belfast killings.

Building Society loss

Nationwide Anglia, the third largest UK building society, yesterday revealed trading losses of £9m on its estate agency operations in the financial year ending on April 4.

Population control

Legislation controlling population growth is planned by the Isle of Man government, for implementation when it becomes necessary. The island's 70,000 population has increased following expansion of the financial sector.

ID card list

The UK government has narrowed down to a short-list of eleven the companies which want to provide the technology for football's controversial national membership scheme.

Food poisoning

Food poisoning is both endemic and epidemic in England and Wales according to an independent report on food safety. An organisation similar to the Food and Drugs Administration was needed along with large scale public sector provision into research, said the report.

Lord King receives £207,000 pay rise from British Airways

LORD King, chairman of British Airways, the UK flag carrier, received a pay rise of £207,741 during the last financial year, to bringing his total salary to £385,791 and making him the highest paid director in the airline.

The airline's justification for the big pay rise is that it is now one of world's most profitable companies.

In the year to March 31, it achieved group revenues (including the former British Caledonian Airways) of nearly £4.26bn, a rise of 13.3 per cent compared with the previous year, with pre-tax profits of £268m, some 17.5 per cent more than the previous year's £228m. Passenger traffic was up by 1.5m to a group total of nearly 25m.

This is revealed in the airline's annual report, published yesterday, which also shows that Mr Gordon Dunlop, who took early retirement on March 31 after six years as finance director, has been paid compensation for loss of office amounting to £511,000 in respect of employment rights, together with £384,000 in respect of pension rights, a total of £895,000.

Although it was never publicly admitted by the airline, it was widely believed at the time of Mr Dunlop's departure that it was due to differences of view between himself and Lord King.

Sir Colin Marshall, chief executive, is now the second highest paid serving director, at £252,568. In 1988, before Lord King's pay rise, he was the highest paid director.

The report reveals significant pay rises for a large number of senior executives (other than directors) of the airline. At March 31, there were eight executives receiving between £100,001 and £160,000 a year, including one, whose name is not disclosed, receiving between £155,001 and £160,000 a year. In the previous year, only one executive exceeded the £100,000 a year level.

In the broad £55,001 to £100,000 bracket, there are now 803 executives, compared with 237 at the end of the previous financial year. In the £40,001 to £55,000 bracket, there are now 1,113 executives, compared with 884 previously.

Lord King says in his chairman's statement that in recognition of the airline's profits, the BA Board has decided to pay an additional week's basic pay to all the airline's 48,760 staff, on top of their existing profit-sharing entitlement of two and a half weeks' basic pay.

'Wildcat' strike curbs likely

By Charles Leadbeater, Labour Editor

THE GOVERNMENT is likely to introduce legislation this Autumn aimed at curtailing unofficial industrial action, Mr Norman Fowler, the Employment Secretary, said yesterday.

Mr Fowler made the announcement on a day when London was hit for the fifth time in recent weeks by a wildcat strike by underground train drivers.

The strike over the introduction of more driver-only trains caused widespread disruption, as several main roads in central London were closed for US President George Bush's motorcade.

Leaders of Aslef, the train drivers' union, which is concerned that the unofficial action may undermine formal collective bargaining procedures, yesterday called an industrial action ballot over the issue. Further unofficial strikes are unlikely pending the outcome of the ballot which could take three weeks.

Mr Fowler, speaking during the by-election campaign in Vauxhall, south London, said: "I am now reviewing the law as it affects industrial action to see if there are changes which can be made which will curb unofficial action of the kind we are seeing today."

He said it was "quite possible" legislation would be introduced later this year in the new session of Parliament. It could be included in a planned bill to curb the pre-entry closed shop.

It is thought that fines, sequestration or prison terms for individuals involved in wildcat strikes would be judged politically unacceptable. It is more likely the legislation would make unions responsible for the actions of their members.

Mr Michael Meacher, the opposition Labour party's employment spokesman joined Mr Fowler in criticising the wildcat strike, but challenged the need for further legislation. He said it would be unfair to penalise unions for actions by workers who may not be union members. Responsibility for organising action could be established only in the courts, which raised the possibility of striking workers being tried.

Independent revives Sunday plans

By Raymond Snoddy

THE Independent newspaper has decided to reactivate its plans for a Sunday title and is pushing ahead with the production of "dummy" issues over the next six to eight weeks.

The work will go ahead as the Sunday Correspondent, the planned new quality Sunday, prepares for its launch which is expected in the last week of September.

The Independent staff were told of their paper's interest in launching a Sunday title yesterday in a confidential memorandum. It said that the board had decided to set up a working party to produce preliminary copies and that an editorial team was being assembled to do it.

In December, Mr Andreas Whittam Smith, editor and chief executive, said he had decided not to launch a Sunday edition, at least during this financial year, which ends on September 30.

Passport strike set to escalate dispute

By Charles Leadbeater, Labour Editor

THE dispute over staffing levels in UK passport offices is set to escalate markedly today with a 24-strike by clerical staff at five offices in support of colleagues at the Liverpool office who started an indefinite strike on Tuesday.

The staff union, the Civil and Public Services Association said workers at Belfast, Peterborough, London and Newport had voted to join the stoppage over the union's claim for an increase in permanent staff from about 920 to almost 1,300. Mr John Macreadie, the union's deputy general secretary said staff at the Glasgow office, which handles some applications made by people in London, had reversed their earlier decision not to join the protest.

The dispute could escalate further with calls from some branches for more sustained action. The Glasgow workers initially voted 60 to 18 against the 24-hour strike because it did not go far enough, Mr Macreadie said.

The more than 100 staff at the London office were reported to have voted for action by more than three to one. Staff at Newport south Wales, Peterborough and Belfast also voted to join the stoppage, the CPSA said.

The Home Office said it would be able to determine what level of service the offices could provide only once people had reported for work.

The offices are likely to continue to be staffed by managers and casual staff recruited to cope with peak demand this summer.

There is a backlog of 200,000 unprocessed applications at Liverpool where a new computer system is being introduced to allow the office to issue European standard passports.

Talks over the dispute are expected to start next week. The Home Office has offered to recruit an extra 158 permanent staff.

Syndicate may call for £75m cash

By Patrick Cockburn

UNDERWRITING agents for 1,614 people, who in 1982 belonged to a Lloyd's of London insurance syndicate run by Mr Richard Outhwaite, will meet again today to discuss options. These include a possible cash call of £75m, needed to meet massive losses on the 1982 account.

Earlier in the week, 102 underwriting agents were told by the RHM Outhwaite agency that each member of the 317/661 syndicate might be asked for about £36,000 in cash for each £20,000 of insurance business done on their behalf.

Mr Murdoch Macleod, a spokesman for Outhwaite, said yesterday that that was only one option discussed at the meeting, but if the syndicate does go ahead it would be the largest cash call ever faced by Lloyd's members or "names."

Last year Mr Outhwaite said that syndicate 317/661's 1983 members faced gross claims of up to £263m, but much larger losses are now feared.

Barlow Clowes trial may be delayed

By Richard Waters

THE TRIAL of Mr Peter Clowes, former head of the Barlow Clowes investment group, and three of his associates is likely to be delayed until well into next year due to unforeseen complications in the Serious Fraud Office (SFO) investigation into the case.

The SFO, set up last April to investigate and prosecute serious and complex fraud, had hoped to obtain a transfer of the case to the crown court this summer. It will not now take place until the beginning of next year at the earliest.

Further delays are also likely to arise as defence lawyers take time to sift through the detailed and complex case assembled by the authorities.

The SFO said yesterday, after the latest hearing at Guildhall Magistrate's Court in the City of London, that investigations such as that in the Clowes case can take longer than expected, since new information can arise from one day to the next which leads to further enquiries.

It refused to say any more about the progress of the case, except that the time take to obtain evidence from abroad could also delay matters.

The SFO's original timetable for the case now looks optimistic. It began its enquiries almost exactly a year ago. Mr Clowes and the other three – Mr Guy Von Cramer, Mr Peter Naylor and Mr Christopher Newman – were charged with thefts totalling £22.7m as recently as last December. The Clowes group of companies spanned the UK, Jersey, Switzerland and Gibraltar, as well as a number of other offshore centres.

● Mr Clowes, Mr Cramer, Mr Naylor and Mr Newman were yesterday remanded on bail at Guildhall Magistrates Court for a further six months.

Brum makes an exhibition take off

Business trips to the midlands are booming, says **Richard Tomkins**

BUSINESS is booming in the West Midlands. At least, that is the message from Birmingham International Airport.

Five years ago Birmingham, 100 miles from London, opened a gleaming new terminal building with a planned capacity of 3m passengers a year – enough, it was thought, to see it into the 1990s. It is already bursting at the seams.

That is partly because of the upsurge in holiday charter flights during 1986 and 1987. Recently, though, charter traffic has levelled off, and it is business travel that is spurring Birmingham's growth.

Last year, passengers on scheduled flights accounted for 48 per cent of traffic. This year the figure is likely to exceed 50 per cent as additional services are introduced.

In recent weeks, Scandinavian Airline Systems has launched a direct service to Copenhagen; Air Canada has introduced a scheduled service to Toronto; Manx Airlines has brought in a daily service to the Isle of Man; and British Airways and Iberia, the Spanish flag carrier, have introduced direct flights to Barcelona.

Birmingham International Airport

Million passengers

Yesterday, British Airways started direct flights to Zurich, and on Sunday, Birmingham European Airways introduces a service to Newcastle upon Tyne in the north east. That will take the number of direct scheduled routes to 38.

Air travel is growing throughout Britain, but Birmingham's share of is growing more rapidly. The airport hit its 3m passenger capacity in the year to April, and since 1983 it has climbed from seventh to fifth place after Heathrow and Gatwick outside London, Manchester and Glasgow.

The growth in business travel at Birmingham airport largely charts the revival of the West Midlands economy and the city's consequent prosperity as regional capital. Another factor has been the construction of the M42 motorway outside the airport's gates, providing access to the national motorway network.

But Birmingham, Britain's second city, is also receiving a high proportion of business visitors – as opposed to Midlands-based passengers.

The explanation lies not so much in the city's unsung attractions as in its growth as a venue for conferences and exhibitions. The National Exhibition Centre, lying adjacent to the airport, absorbs a third of all UK exhibition spending, and business passengers arrive by the plane-load to attend its 80-plus shows a year.

That trend is likely to continue, with the construction of the £121m International Convention Centre, Britain's biggest convention complex, in Birmingham city centre. Due to open in two years, it forms the centrepiece of Birmingham's strategy to establish itself as a leading international business city.

With the strain already beginning to tell on Birmingham airport, its management has embarked on a £60m extension to the terminal building which will double capacity by 1991 through the construction of a new passenger pier with gates for 10 aircraft.

The project has required a novel approach to financing because the airport, although a public limited company, is still wholly owned by the seven district councils of the West Midlands county. Its capital spending is consequently constrained by the same borrowing limits that apply to the local authorities.

The extension is therefore being financed not by the airport, but by a consortium in which British Airways is the key member. British Airways will have exclusive use of the new pier in return.

British Airways is helping finance the scheme because it wants to build up Birmingham as a hub airport for passengers arriving on its flights from regional airports in the British Isles and travelling forward to European cities – or the other way round.

Birmingham: air traffic controllers look ahead to expansion

Despite the planned extension, Birmingham airport's ambitions are not sated. At present, nearly all its destinations are European, because the Government will not give it international gateway status. It is therefore severely handicapped in competition with its old rival, Manchester.

Admittedly, the runway is simply not long enough to carry aircraft to reach beyond the east coast of the US. Nor could the runway be easily extended, with housing at one end and the A45 at the other.

Meanwhile, it is doing respectably well out of what it already has. Pre-tax profits were £2.9m in the year to March 1988, and West Midlands ratepayers collected £650,000 in dividends.

Europe leads growth in venture capital

By Charles Batchelor

THE EUROPEAN venture capital industry, dominated by Britain, continued to grow at a faster rate in 1988 than its counterpart in the US, according to figures published yesterday by the European Venture Capital Association.

For the second year running European venture capitalists raised more money than did US venture funds, although in absolute terms the American venture pool remains larger.

The total pool of venture capital in Europe grew by 18.5 per cent to Ecu18.7bn (£12.5bn) compared with an increase of just 7 per cent in the US to Ecu26bn.

European venture capitalists are also spending their money at a faster rate. They invested Ecu3.48bn last year compared with Ecu2.5bn in the US.

UK funds increased by 15 per cent to Ecu11.25bn, 60 per cent of the European total.

Other countries are growing at a faster rate, however. Venture funds in France increased by 31 per cent to Ecu2.7bn while investments rose 74 per cent to Ecu694m. The Italian venture pool rose by 37 per cent to Ecu861m while investments increased by 49 per cent to Ecu169m.

Management buy-outs accounted for 38 per cent of all funds invested, up from 37.5 per cent in 1987, although they represented only 18 per cent of all deals by number.

Investments in expanding businesses accounted for 42.5 per cent of spending, down from 50 per cent the previous year.

● Schroder Ventures, part of the Schroder banking group, has set up a £58m venture capital fund to finance management buy-outs and later-stage investments in France.

The funds have come from 34 institutions and private investors from France, Britain, the Netherlands, Switzerland and the US.

Schroder has set up a French venture management company, Schroder Partenaires, to advise on investments. The company is headed by Mr Gerard Tardy, formerly with Citicorp Venture Capital in Paris.

WHATEVER WE DO FOR OUR CUSTOMERS, THE STORY'S THE SAME.

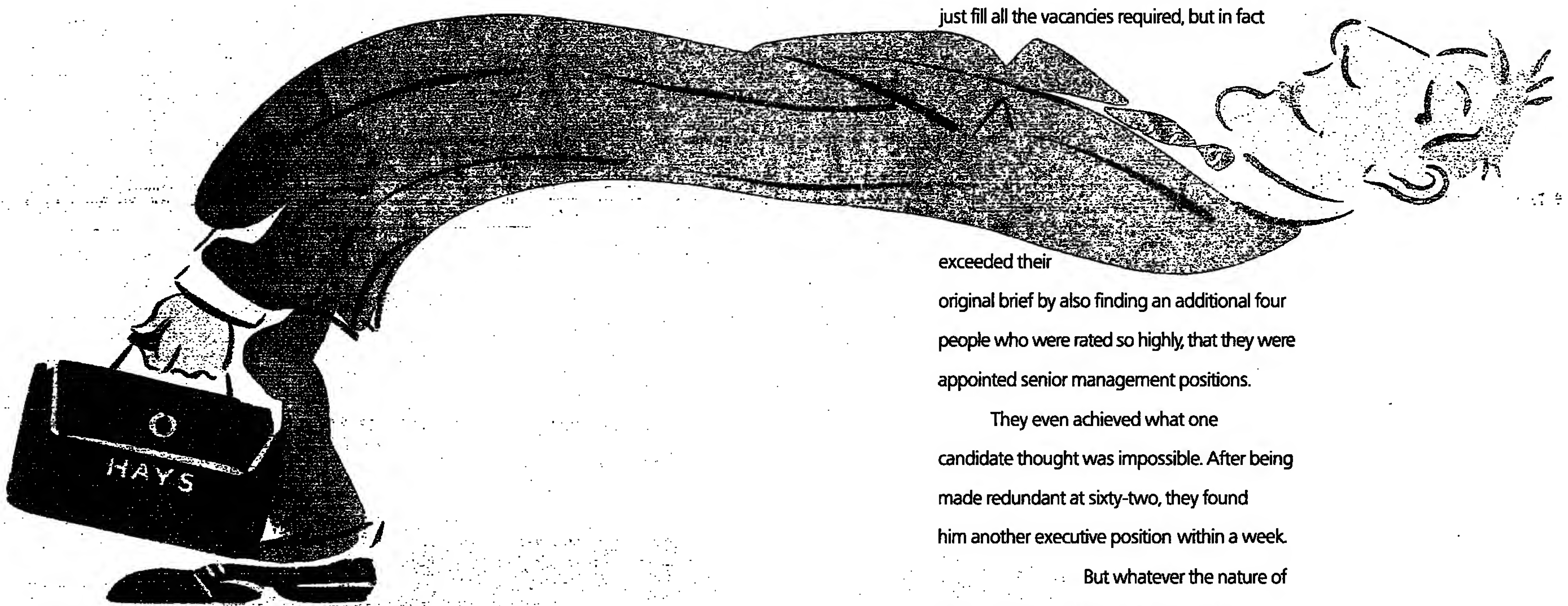
Hays is one of the largest and most successful business services groups in the country with over thirty-six different companies.

But the one thing all our companies have in common is something we like to call – The Hays Approach.

Whatever field you're in, we get to know your business backwards in order to take it forwards. Solving our customers' problems, is all in a day's work to us. Even if that means a twenty-four hour day, we'll bend over backwards to help.

Take for example, Accountancy Personnel. When the Fred Olsen Line was re-locating from London to Ipswich last year, they asked Accountancy Personnel to fill twenty-one accountancy positions fast.

It was a tall order for any company, but Accountancy Personnel interviewed over 200 possible candidates in four weeks. They didn't just fill all the vacancies required, but in fact



exceeded their original brief by also finding an additional four people who were rated so highly, that they were appointed senior management positions.

They even achieved what one candidate thought was impossible. After being made redundant at sixty-two, they found him another executive position within a week.

But whatever the nature of our customers' problem, whether it be in specialist staff recruitment, office support, or specialised distribution, we'll go out of our way to solve it.

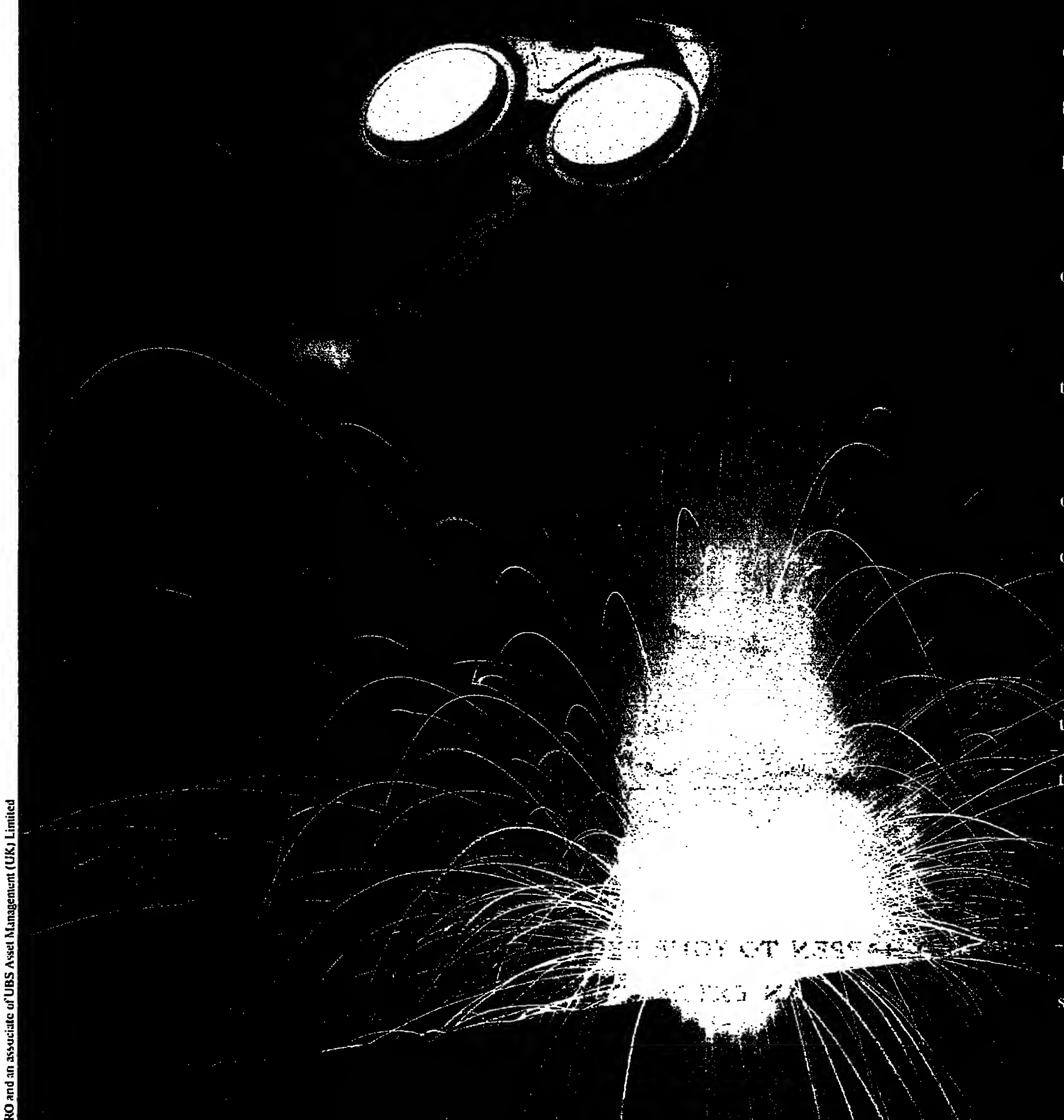
We achieve this by investing in good management and recognising the importance of our customers' satisfaction. It's the secret of our success. And our customers'.

Hays

Hays plc, Hays House, Millmead, Guildford, Surrey GU2 5HJ.

WE'RE WITH YOU ALL THE WAY

HE WANTED SOMEONE FAST, INNOVATIVE AND ON THEIR METTLE



When Eddie Boss was ready to run his own show, he looked at several venture capital companies.

Then he approached Phildrew Ventures.

Today he is Chairman and Chief Executive of SG Industries, a manufacturer of steel bar reinforcement products, welded steel mesh, wire and construction products in the U.K, USA and Canada.

Coming to Phildrew was a shrewd move.

Because buying the company from its previous owner, Transport Development Group plc, called for a rather innovative deal – a cross between a bought-deal, a buy-in and a buy-out.

First, Phildrew took the company on to its own books – the 'bought deal' element.

Then Eddie Boss was appointed chief executive – the 'buy-in' part.

Also, he and the existing management were offered the chance to purchase up to 15 per cent of the company – the 'buy-out.'

Only then did we syndicate the deal.

Other venture capital companies might think this kind of thing just too risky. Particularly when the total funding required was £68 million.

We beg to differ.

When time is of the essence – as it was in this case – it pays to strike while the iron is hot.

TRITON COURT, 14 FINSBURY SQUARE, LONDON EC2A 1PD TELEPHONE: 01-628 6366.

PHILDREW VENTURES

Creative Capital For Management Buy-Outs

Phildrew Ventures Advisers is a Member of IMRO and an associate of UBS Asset Management (UK) Limited

FT LAW REPORTS

Digest of Easter Term cases reported

FROM APRIL 25 TO MAY 12

Smith v Eric S Bush; Harris and Another v Wyre Forest District Council and Another (FT, April 25)

In two appeals concerning the liability of surveyors who, the trial judges had found, carried out their surveys without exercising reasonable skill and care, the *House of Lords* held that, in the absence of disclaimer of liability, the valuer who valued a house for mortgage purposes knowing that the mortgagee would rely and the mortgagor would probably rely on the valuation, and knowing that the mortgagor had in effect paid for the valuation, had a duty to exercise reasonable skill and care. In deciding whether the disclaimers of liability fell within section 2 of Unfair Contract Terms Act 1977, which said that a disclaimer should satisfy the "reasonableness" test, their Lordships stated it was unfair and unreasonable for a valuer to rely on an exclusion clause directed against a purchase in the circumstances of the present appeals.

Minories Finance Ltd v Daryanani (FT, April 26)

The plaintiffs had obtained *summary judgment* against the defendant for sums due under guarantees. The defendant was granted leave to defend only that part of the claim which related to compound interest on the outstanding sums on appeal to the Court of Appeal. Lord Justice Neill stated that it might well be that according to modern banking practice it was an implied term, in the absence of any express agreement to the contrary, in all arrangements for loan accounts with bankers, that compound interest could be charged. But in the absence of clear evidence, it would not be right to give summary judgment for that part of the claim so that the defendant would be granted unconditional leave to defend the claim insofar as it related to compound interest.

Aveling Barford Ltd v Perion Ltd and Others (FT, April 28)

Aveling, owned and controlled by single shareholder, Dr Lee, was in financial difficulties. It decided to sell a property to Perion, another of Dr Lee's entities for £350,000. By the time that the transaction was completed, however, outline planning permission was formally granted for the building of houses on the land. Six months later, Perion sold the property for £1.5m. In dismissing a motion by the defendants to set aside a judgment ordering Perion to account as constructive trustee for the proceeds of the sale to Aveling, now in liquidation, Mr Justice Hoffmann stated that a transaction which amounted to an unauthorised return of capital was ultra vires and could not be validated by shareholder ratification or approval. Although the transaction in the present case was in law a sale, it wore a false-dressing that it was a sale at arm's length at market value.

The Chanda (FT, May 3)

The sellers and buyers claimed on a subrogated claim by the insurers against the shipowners for the total loss of a plant carried on the Chanda from Bremen to Jedda. The control cabin of the plant contained electronic equipment comprising some 90 per cent of its value and it was stowed on deck in the worst possible position close to the bow where pitching was most severe. In giving judgment for the plaintiffs, Hirst J stated that the perils of the sea exception in paragraph 608(1) of the West German Commercial Code was *not available to the shipowners* since it excluded exemption where the occurance was the result of a circumstance for which the carrier was responsible. Regarding the package limitation in paragraph 660, the clause was not intended to protect the shipower who, due to a fundamental breach of contract to stow below deck, exposed the cargo to risk.

Hongkong and Shanghai Banking Corporation v Kloeckner & Co AG (FT, May 5)

In summonses arising out of a bank's facilities in crude oil dealings, the issues were whether it was open to a party to contract out of his right of set-off; and second, whether a set-off could be maintained in answer to a claim under a letter of credit. Hirst J stated that in *Halesowen Presswork [1971] 1 QB 1*, the Court of Appeal had held that a banker's right to combine the accounts of a customer and to set off debits on one against credits on the other could be excluded by agreement express or implied to keep the accounts separate. In this case, Kloeckner undertook irrevocably to pay the invoice in full without any deduction or counterclaim and, as a matter of law, the bank was entitled to rely on that undertaking. But regarding the letter of credit, there was no principle which debarred a bank from setting off its own claim against a claim by the beneficiary under a bill of exchange, particularly in the circumstances where the bank's claim was liquidated and related to the banking transactions which had given rise to the letter of credit.

Dawson v Inland Revenue Commissioners (FT, May 8)

A trustee of discretionary settlements, where two of the other trustees lived abroad as did the beneficiary of the trust, was assessed to tax on the whole income of the settlements including that arising from the foreign assets. He accepted liability for tax on income from UK assets but disputed liability on income from foreign assets. The Revenue contended that the whole of the income from foreign investment accrued to the trustee as a "person residing in the UK" under para 1(a)(i) of section 108 of the Income and Corporation Taxes Act 1970 and the fact that it accrued to him jointly with two co-trustees resident abroad was irrelevant. Dismissing the submission, the House of Lords stated that there could be no justification for assessing the trustee alone on the ground of his UK residence because the income did not accrue to him personally.

Northumbrian Water Authority v Newcastle and Gateshead Water Company and Another (FT, May 10)

For the charges scheme that the area water authority imposed, its starting point was ascertaining how much it spent overall on water resources both as the water authority and as a water company, by the other water companies and by private abstractors. Abstraction charges were then assessed by taking the total water abstraction expenditure, deducting the revenue from private abstractors, and dividing the balance between the authority and the water companies in proportion to the amount of water expected to be supplied on a five-year basis. In holding that these criteria were reasonable the Master of the Rolls stated, inter alia, that it was only fair that those companies which incurred the greater expenditure in the discharge of the authority's duty to supply water throughout its area, should be relieved of some of the charges.

Irish Shipping Ltd v Commercial Union Assurance Co plc and Another (FT, May 12)

On a time charter, cargo claims were the charterers' liability. Insurance was taken out in Antwerp and provided that all settlements of claims by the leading underwriter "will be binding on all underwriters," with about 33 per cent of the risk insured with English companies. The charterers went into liquidation and the shipowners, who paid the cargo-owners, sought indemnity from the insurers. In deciding whether there could be a representative action under the RSC Ord. 15 rule 12 and rejecting the argument that the case could never be within the rule where each insurer was liable for its proportion of the loss, the Court of Appeal stated that a claim was not automatically excluded from a representative action merely because made by numerous plaintiffs severally or resisted by numerous defendants severally. This was one claim on one contract in which the insurers all had the same interest irrespective that the foreign insurers might argue that their obligation was not situated in the UK.

Aviva Golden

This digest of Easter Term cases will conclude on Tuesday of next week.

Where the VAT buck may stop

Paul Cheeseright and **Richard Waters** on a tax change with far-reaching implications

The most far-reaching tax changes to affect the property industry for more than a decade are grinding their way through Parliament. Putting VAT on property and construction is part of the Finance Bill, now at the committee stage of line-by-line scrutiny in the Commons.

It would be idle to say that VAT was actually welcomed by the industry, but it was accepted with moderate grace. Lobbying against the Government's chosen method of applying the tax has been concerned with detail.

The issue of how long the transition period should be has not disappeared. It will come up again when the Finance Bill reaches the report stage. Developers escaped VAT if they had legal commitments to go ahead with a project before June 21 1988.

The argument here is that there are, in large-scale projects, commitments to proceed which do not necessarily have a legal force. Therefore the Government needs to be more elastic in its approach. This is the case of the British Property Federation and sympathetic MPS. The Treasury is unsympathetic and holds out no hope of change.

The effect that VAT would have on the property market itself is another question. The issue of who would foot the VAT bill in cases where financial institutions were leasing premises can be tested only in the market place. If financial institutions are not paying VAT themselves they might react toughly to any landlord exercising the option to put VAT on rents.

Yet it is the whole question of exemptions from VAT that underlies the chief immediate problem. The Government, following talks with the European Commission, suddenly shifted its position on the application of VAT to land. Amendments to the Finance Bill were tabled on May 11 and pushed through the standing committee on May 18.

It had been intended that VAT would be charged on the supply of land when construction of a commercial property development started (or at cost, if the land was acquired before the new rules came into force). But the Government has now dropped the intention of taxing land as such and switched its attention to the completed value of a building.

Where a developer buys his land, constructs his building and sells it on to a company which itself sells products that have on them a VAT label, there is no problem. The VAT simply rolls through to the final consumer of the company using the building. But where the land is already owned, a new situation is created.

The changes mean that any company redeveloping its own land (known as a "self-supply") must pay VAT on the full market value of the land and buildings on the date the development is completed. This means a tax at 15 per cent on land which is already owned.

There is nothing new in the principle of this. Motor manufacturers who supply themselves with cars already pay VAT in the same way. In these cases, however, there is an obvious "added value" being created.

But application of this principle brings up the problem of the VAT-exempt. Businesses whose sales are exempt from VAT – including financial services, health and education – cannot pass on the tax. So they will have to foot the bill themselves. London's financial district, with the highest concentration of exempt institutions on the most expensive land, will therefore bear the brunt of the changes.

Still, the scale of the owner-occupier problem should not be over-stated. Most property in the City of London is leased. The role of the financial institutions in the City market is clear from the accompanying chart. Jones Lang Wootton has calculated that between 1984 and 1988 18.5m square feet of new floorspace was created of which 10 per cent was taken up by owner-occupiers. Of the total take-up, financial institutions accounted for 10m square feet, of which 15 per cent was absorbed by owner-occupiers.

Nor are the financial institutions completely naked. The blow is tempered slightly by their taxable sales.

Without the changes, property developers who had acquired land for construction before April 1 would have been at a disadvantage. They would have had to pay VAT on the full value of the land and building once construction had finished.

Anyone building on their own land, on the other hand, would have escaped that part of the tax which applied to the land. This, Mr Peter Lilley, Economic Secretary to the Treasury, argued in the Commons, would have been "a massive fiscal incentive in favour of self-developments and against buying from a developer or renting from a landlord."

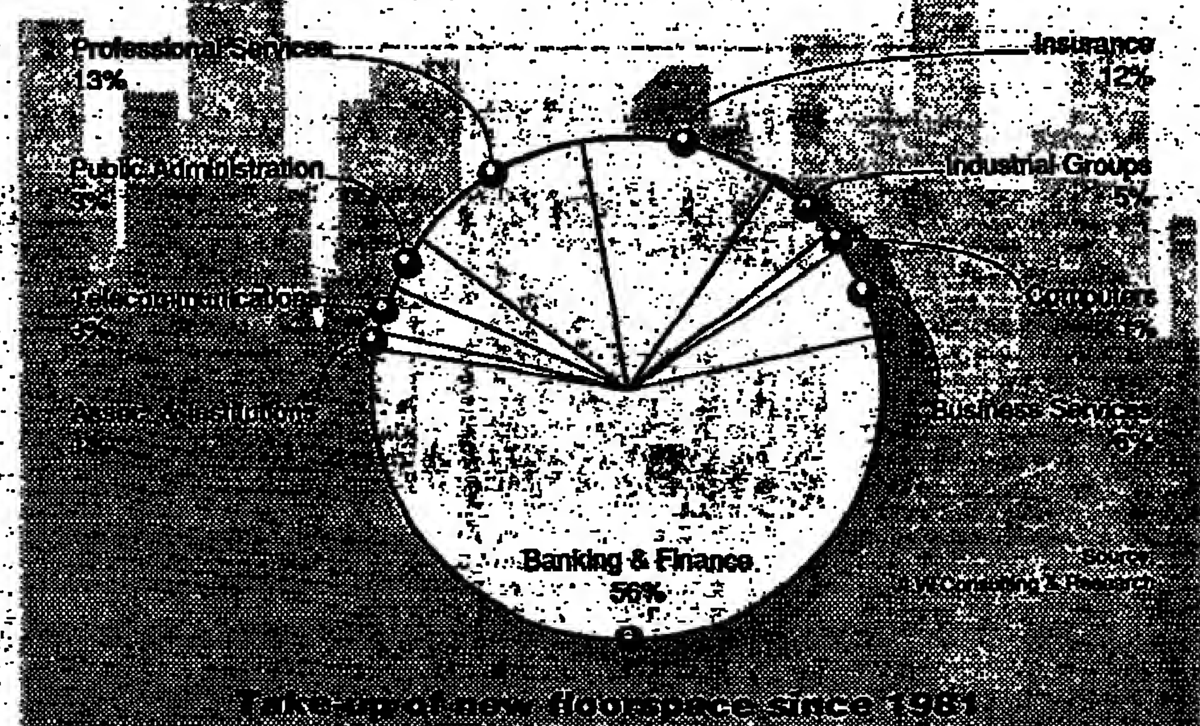
The proposal now is to treat all developments the same. This leaves financial institutions who have owned land for generations fuming.

Barclays is particularly mad. Its head office redevelopment is likely to cost £150m, on which it has expected all along to pay £22.5m VAT. However, the tax on the land, expected to amount to another £22.5m, has come as a nasty surprise.

Rental value growth (%)

	Retail	Office	Industrial	All Property
Year to Dec 88	19.9	27.9	22.2	23.9
Year to Apr 89	17.6	25.3	24.9	22.0
Monthly rate – Apr 89	0.9	1.0	1.5	1.0

Source: Investment Property Databank



Take-up of new floorspace since 1981 by business sector in the City of London

Financial institutions dispute the new rules on two counts. First, they argue that VAT is meant to be a tax on the supply of goods or services. By taxing land that they have owned for years, the provision in effect will be retrospective. Thus the self-supply rule should apply only to land bought after April 1 this year – when VAT on building land came into force.

Second, and perhaps most important, they object to the fact that the land will taxed at its market value at the date when building work is completed, rather than at the original cost.

The Government can only hold its present position if the Commission and the other EC countries agree that the UK should have a derogation – that is, it can do something nobody else is doing – from the Sixth VAT Directive. The British Bankers Association is already lobbying against this in Brussels. However, the Commission encouraged the Government to go this far and so is likely to support its position.

The Commission can grant a derogation if a member state shows that its preferred method of tax collection simplifies procedures, or helps prevent tax avoidance or evasion.

One bank admitted this week that the UK's move would satisfy the simplification test. "It undoubtedly does. It gets rid of the difficulty of defining building land."

However, to qualify, the move must not significantly increase consumers' liability to tax. It is an open question as to whether the word "consumer" applies in this case to the occupier of the land (such as the bank) or the final consumer. If it is the former, then there is a good chance that the banks will feel they have a valid grievance. A challenge in the European Court would almost certainly follow.

MANAGEMENT

Carlos Cavalle: international or nothing

A Catalan catalyst for bilingual MBAs

Michael Skapinker profiles Iese, the business school which provides Spanish-based companies with many top recruits

When Iese was founded in 1958, Spain was in the grip of the Franco dictatorship and isolated from the world outside.

And yet, says Carlos Cavalle, the current dean, the Barcelona-based business school decided from the start that "we were going to be international or we were going to be nothing."

That determination has paid off. Spain has other business schools: the Instituto de Empresa in Madrid, for example, produces 350 Masters of Business Administration graduates each year. Esade in Barcelona is another school which is highly regarded by Spanish employers.

But Iese – the Instituto de Estudios Superiores de la Empresa – is the only Spanish institution which can claim a place on the list of Europe's top schools.

Companies recruiting at Iese include American Express, Ford, General Motors, General Electric and McKinsey. Some companies employ Iese graduates in their offices in other parts of Europe. More important, however, Iese has become a valuable source of recruits for the many foreign companies now investing in Spain.

Iese has had a Masters programme in Spanish since 1964. In 1980, however, it came up with an idea so appealing and yet so obvious that one can only wonder why other schools had not introduced it before: a bilingual MBA degree.

Foreign entrants to the course do not have to be able to speak Spanish when they start. Over their two years at Iese they study the language as well as business, so that they emerge with a fluency in Spanish as well as their MBA diplomas. The MBA group which graduates this year is drawn from 23 countries, including the US, Britain, Austria, Germany and Norway.

Iese takes in 210 new MBA students each year. Two-thirds of them are from Spain and Latin America. They do all their first year studies in Spanish. The remaining 70 students are from non-Spanish speaking countries and do their first year MBA subjects in English. In the second year, all the students take courses in both Spanish and English.

Iese is not yet totally bilingual. There are faculty members who do not have a fluent command of both languages. Although the Spanish-speaking students are expected to learn English while doing their MBAs some fail to do so.

Nicholas Majluf, a visiting lecturer from Chile, says that a number of his Spanish second year students do not even read English. Luis Huete, the head of the MBA programme, is aware of the problem. This year, for the first time, Spanish entrants will have to pass a proficiency test in English.

The foreign students, on the other hand, appear to acquire an impressive fluency in Spanish during their time at Iese. Indeed, many find the sunshine and the opportunities in Spain so attractive that they decide not to go home. Teresa Gener, director of the placement department, says that 55 per cent of the foreign students who graduated in 1988 stayed in Spain. So did 95 per cent of the Spanish students.

Executives like Juan Antonio Diaz Alvarez, chairman of the management board of Seat, the Spanish subsidiary of Volkswagen, believe that these graduates have a crucial role to play. Spain, he says, needs all the MBAs it can get, particularly as Spanish undergraduate university courses are so theoretical.

"When they finish university they have no experience. After two years of the MBA they've at least learned how to think. We've used MBA students over the summer period and it was a tremendously positive experience for us. They brought a new approach and new ideas."

Other Spanish employers, however, voice the same criticisms that are heard in other parts of Europe. "Iese MBAs are good. But they think they are better than they are," says Juan Gran Almirall, chief executive of Carburos Metalicos, the Spanish gases producer.

Some of the foreign employers which have recently set up in Spain have their reservations too. "The best at Iese are as good as the best anywhere," says Anthony Pralle of the Boston Consulting Group in Madrid.

Not all of the Spanish MBA graduates are of the same high standard, however. And all the MBA students need better advice on how to approach employers, he says.

"Spanish business schools haven't taught people how to apply for jobs and that's true of Iese too," Pralle says. "They do make the effort and they do have career departments but they're pretty unsophisticated. The students haven't been told how to do their CVs properly. They're all so sanitised you can't tell the difference between them. We've interviewed a few non-Spaniards who suffered from the same problem. They say 'this is the CV that Iese have asked us to present,' but I've also got another one here.'"

The Spanish graduates have another disadvantage when compared with their counterparts at other European schools: most have little work experience.

"This has to do with Spanish culture," says Cavalle, the dean. "If you take someone who's a very good university student and he goes straight into business, after three years he will have a very strong position in the firm. Good people in this country still do not face much competition. The firm will not let him go to do a two-year MBA." As a result, nearly 70 per cent of Iese's graduates are 26 years old or younger at the time of graduation.

Even the faculty at Iese are recruited young. After a couple of years of teaching at the school, Iese sends them to the United States to do doctorates. Most then return to teach at the school.

Pedro Nueno, professor of production and operations management, likens this to the Japanese practice of hiring managers young and holding on to them. Faced with the shortage of staff which hampers business schools all over Europe, Iese believes in developing its own.

Despite the Japanese analogy, Iese's orientation is firmly American. The Harvard MBA was the model for Iese's own programme. The school also relies heavily on the Harvard case method approach in its teaching. When it launched its Spanish MBA, Iese formed a joint committee with Harvard to advise on the programme. The committee is still in existence. The disillusionment with American management methods which is evident at some other European schools is nowhere to be found at Iese.

Iese is different in another way, too: its religious orientation. Iese is attached to Opus Dei, a Catholic organisation. Not all the teachers on the faculty are members of Opus Dei. Pedro Nueno, who is not a member, says that it is not even necessary for faculty members to be Catholics, although he cannot say what percentage of the faculty are not. He says it is unlikely, however, that Iese would employ a Marxist.

The school has its own chapel and a resident priest. Crucifixes adorn the walls of the lecture rooms. Second year students are offered an optional course in theology.

Cavalle, who is a member of Opus Dei, says that the school has also run courses in business ethics since the day it started. "That doesn't mean our graduates are more ethical than those of any other business school. What our graduates do is their business. What I can say is we've given them the opportunity to develop in an ethical direction," he says.

As to the future, Cavalle says that the only thing which could hold Iese back is if it fails to develop high quality teachers.

In the provision of bilingual MBAs, however, Iese is unlikely to remain without competitors for long. Iese staff believe that at least two European business schools – one in Italy and one in France – are planning to launch bilingual MBAs of their own.

Purchasing

Price is not the only criterion

Richard Waters on a discipline gaining strategic importance

Ten years ago, the average company spent around 40 per cent of its sales revenue on buying goods and services. Today, that is more like 70 per cent.

This huge shift has thrown into sharp relief a management skill with which, according to the experts, many UK companies have yet to get fully to grips: purchasing.

The heavy reliance on purchased goods and services is due to a number of factors. The pace of technological change means that it is less efficient in many cases for companies to produce their own components.

Also, there has been a preference for calling in outside experts rather than employing the skills in-house.

These trends fit in with the dominant late 1980s corporate strategy of focusing on core activities.

In a typical case last month, Rowntree announced it was to close its in-house packaging plant and rely on specialist packaging manufacturers Lawson Marden. The confectionery group's reason: it could not keep up with the pace of technological change in the packaging industry, and preferred to concentrate on making sweets.

This sort of development has made many companies far more dependent on their suppliers. Paul Steel, who founded specialist consultancy Purchasing and Materials Management Services nearly ten years ago, says: "It doesn't matter how efficient your operations are. If your suppliers are bad, you are going to be bad. You're getting into a linkage of events."

As a result, purchasing is being forced out of the back office. The part played by suppliers has become central to the success of many companies. Questions of quality, availability and cost supplies are all relevant. It is now a job of paramount concern to senior management rather than the clerical ordering function to which it has frequently been relegated.

The skill gap created by this change is put succinctly by Glen Eisen of Arthur Andersen: "People know how to negotiate, but they don't know what to negotiate. They are used to negotiating over price or delivery, but they are not used to sitting down and planning their future development and how supplies fit into their strategy."

Purchasing executives accept the criticism. Gary Lonsdale, purchasing director of AMI Healthcare, accuses many suppliers in the UK of "indifference, apathy and smugness", but admits: "A lot of it is the fault of buyers. For a long time we have been concerned only with price. Price is almost a dirty word now."

AMI's experience of suppliers is echoed almost exactly by Glasgow-based Linn Products, a company in a completely different sector – manufacturing hi-fi equipment.

Linn sets great store by purchasing. "The supply function we think is as important as sales," says Ivor Tiefenbrun, managing director.

Started in the mid-1970s, and operating in a sector which has had its fair share of casualties in recent years, the company employs 130 people and had sales of £8.5m last year.

> **"People know how to negotiate, but they don't know what to negotiate"**

Tiefenbrun attributes his company's success to its concentration on its raw materials. "We are like our customers: we want the right goods at the right time."

Other companies, he says, have made the mistake of looking at the price before the questions of quality and reliability of supply.

When assessing suppliers, Linn looks first at quality; then at response times; then at whether the supplier can deliver the materials in a form which makes it easy for them to be processed by the company. Only then does it look at price. "The highest quality approach gives you the lowest cost," says Tiefenbrun.

Linn puts much effort into helping suppliers achieve the right quality – right down to talking directly to people on the supplier's factory floor.

"We like companies which regard demanding customers like us as a challenge; it helps to keep them competitive. That's the only leverage we have: to appeal to intelligent companies that want to rise to the challenge," Tiefenbrun says. His conclusion: "UK suppliers see quality as a pain in the neck."

Price, meanwhile, remains a major factor. Two techniques point to ways in which buyers are seizing greater control in their markets.

First, groups of companies are learning how to make the most of their buying power. The cyclical swing between centralisation and decentralisation in management theory affects purchasing decision making as much as any other area of management activity.

At the moment there is an attempt to have it both ways; the buzz word now is "co-ordination", meaning that all the remote business units have their say, but everyone will lump together to benefit from economies of scale.

This may involve purchasing managers getting together on central purchasing committees; the negotiation of umbrella purchase agreements under which individual business units can buy supplies as and when they need them; or the delegation of power to negotiate on behalf of the group to individuals in particular business units.

Centralisation also has its advocates. The most powerful recent example of this was Saatchi & Saatchi's move to centralise all of its media buying resources last year in Zenith. This company now controls 17 per cent of the market, equivalent to more than the advertising revenue of Thames TV and News International put together.

A second way of using size to advantage is for buyers to use their influence to help their suppliers to acquire their own supplies more cheaply, thus bringing down the knock-on costs to the consumer.

Eisen at Andersen quotes the example of Gillette using its influence in the steel market to buy steel for one of its suppliers at a cheaper price than the supplier could manage alone.

The supplier's products were then cheaper for Gillette. "You have to decide where you have the power and enter the market at that level," says Eisen.

LEGAL NOTICES

No 00 2889 of 1989

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF SENTINEL LIFE PLC
and
IN THE MATTER OF MLC LIFE LIMITED
and
IN THE MATTER OF THE INSURANCE COMPANIES ACT 1982

NOTICE IS HEREBY GIVEN that a Petition was on the 19th day of May 1989 presented to Her Majesty's High Court of Justice (Chancery Division) by the above-named Sentinel Life plc ("Sentinel") for the sanction of the Court under Section 49 of the above-named Act ("the Act") to a Scheme ("the Scheme") providing for the transfer to Sentinel of the long term insurance business comprised in the United Kingdom branch of MLC Life Limited ("MLC") and an Order under Section 50 of the Act making ancillary provision in connection with the said transfer.

Copies of the said Petition, of the Scheme and of a Report by an independent Actuary in pursuance of the said Section 49 may be inspected at the registered office of Sentinel at Sentinel Insurance House, 2 Eyre Street Hill, London EC1R 5AE during normal business hours on any day other than a Saturday or a Sunday for a period of 21 days from the publication of this Notice.

The Petition is directed to be heard before the Honourable Mr Justice Peter Gibson at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 26th day of June 1989. Any person (including any employee of Sentinel or MLC) who claims that he or she would be adversely affected by the Scheme may appear at the time of hearing in person or by Counsel for that purpose.

Any person who intends so to appear and any policyholder of either Sentinel or MLC who dissents from the Scheme but does not intend to appear should give not less than two clear days' prior notice in writing of such intention or dissent and of the reasons therefor to the under-mentioned Solicitors.

Copies of the documents specified above will be furnished by the under-mentioned Solicitors to any person requiring the same on payment of the prescribed charge for the same.

Dated this 2nd day of June 1989

Compton Carr
6 Dyers Buildings
Holborn
London EC1N 2JT

Solicitors for
Sentinel Life plc

COMPANY NOTICES

CONSOLIDATED PRESS (FINANCE) LIMITED
U.S. $92,000,000
Subordinated Floating Rate Notes due 1993 (the "Notes")
Guaranteed on a subordinated basis by Consolidated Press Holdings Limited

Notice is hereby given that for the six month Interest Period commencing 31st May, 1989 to 30th November, 1989 the Notes will bear a Rate of Interest of 10.4375% per annum.

The Interest Amount payable on 30th November, 1989 will amount to US$53,057.29 per US$1,000,000 Note.

The Mitsubishi Bank, Limited
London Branch
1 King Street, London EC2V 8LQ
Agent Bank

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
2	3	4	5	6	7	8

EXHIBITIONS

London

The Tate Gallery. Cecil Collins and F.E.McWilliam – retrospective shows side by side of two senior British artists: Collins a highly idiosyncratic visionary and symbolist painter with a particular interest in the idea of The Vision of The Fool, on which he has also written extensively; McWilliam an early follower of Moore, but one whose no less idiosyncratic surrealist vision has led to the achievement of the most particular and varied oeuvres in modern British sculpture: both shows until July 19; McWilliam sponsored by Ulster TV.

The Barbican Gallery. 100 years of Russian Art – a curious exhibition drawn from private collections in Russia, itself something of a surprise. As a survey it promises much more than it delivers, but in the earlier period of the generations immediately before and after the Revolution of 1917, it has much to offer, both in terms of the general context of early Russian modernism, and in the quality of particular works: until July 9.

The Royal Academy. The Royal Treasures of Sweden 1550-1700. An exhibition that sounds somewhat dry and daunting but is in fact a wonderful spread of riches, beautifully presented, trophies drawn from across the whole of Europe in the time of Sweden's abrubt emergence as a European power. Arms and armour, gold and silver; but most delightful, perhaps are the fabrics, most of all the complete and heavily brocaded caparisons that might be taken straight from the great equestrian state portraits of Velasquez. Daily until June 18; sponsored by Gamlestaden.

Paris

Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social and political context of Europe as a whole. Over a thousand paintings, sculptures, engravings, objets d'art and everyday objects lent by 15 countries retrace the pre-revolutionary splendour of European courts and the aristocracy as opposed to the laborious life of the peasants. The fall of the Bastille, the symbol of the Revolution, is richly documented, as is the political influence of artists who, by representing the heroes of antiquity indirectly bestowed the Roman Republicanvirtues on an idealised contemporary reality. A visual representation of the Human Rights Declaration becomes a cornerstone of the revolutionary iconography. The exhibiton ends with images of the seizure of power and restoration of an authoritarian regime. Closed Tue. Late opening night Wed. Ends June 26 (42895410).

The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793. Since then, the modernisation of the museum's infrastructure became a matter of utmost urgency and the pyramid's centralising role is an important step towards the completion of the project of the Grand Louvre planned for 1995. It will involve the moving around of 800 of the exhibits, but the three stars – the Mona Lisa, the Victory of Samothrace and the Venus de Milo will remain firmly in place. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.

The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. What would the Louvre be without Rembrandt's Bethsabee, Goya's Marquise of Solana or without the odalisques in the Turkish Bath by Ingres? Without the Greco-Roman silverware from Boscoreale, the towering effigy of King Amenophis IV or Cressent's 18th century Commode with a Monkey? Between the first gift – a 17th century Dutch genre scene A Dropsical Woman bestowed by a young officer in 1796 and the last offering – Saint Thomas by Georges de la Tour purchased thanks to a public subscription in 1988, 350 works chosen from among tens of thousands show the excellence and variety of donations which enriched the original royal collections. Even the Venus de Milo entered the Louvre as a gift, though she has not been moved for the exhibition. 12am to 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.

The Louvre. Michelangelo as draughtsman. Some 80 drawings chosen from great international collections come to Paris after being exhibited in the National Gallery of Art in Washington. Galerie Mollien, entrance through the Pyramid. Closed Tue, ends July 31.

Galerie Schmit. French masters of the 19th and 20th century.The traditional yearly exhibition in the three-storey town house shows the richness and diversity of the period covered. An exceptionally cheerful Courbet – the Sleeping Peasant woman with round red cheeks and a red bodice is only a few paces away from a small Corot, Games in Greece, poetical in its Italian light. Nicolas de Stael's flowers ina flat-rendered shiny red flower pot spread their green leavesin generous broad brushstrokes against a black background nextto Signac's ships leaving a harbour, where the mood and the subject are expressed through a multitude of carefully applied small pastel coloured dots. There is an explosion of colours from the *fauves*, as well as a small early Picasso,a conversation piece, so genuine in its attitudes.396, rue Saint-Honoré (42609636), closed lunchtimes and Sundays, ends July 19.

Galerie Odermatt-Cazeau. Masters of the 19th and 20th century.A large Bonnard – La Place de Clichy – catches the bustle of a Parisian street. But while the brush stroke is impressionistic, the gentle melancholy tonality of blue-greys is personal to Bonnard. Changing the mood abruptly is the exhibition's *succes d scandal* – Chagall filling up space with themes of Jewish mystique around a signature of Hitler and spine-chilling symbols of Nazi domination. There is a Monticelli, the painter venerated by Van Gogh, with a still life of a lemon in vibrating yellow against dark, near-baroque shapes, a powerful, tormented portrait of Lucien Freud by Francis Bacon, a delightful, small Cezanne with green trees; there are two Renoirs and one Picasso. 85 bis, Rue du Fbg.-Saint-Honoré (42669258). Closed Sun.Ends July 29.

Goethe Institut. Munich 1937 – l'Art Diffame, l'Art Acclame. Photographs, documents, reproductions and originals evoke the shock of the famous pre-war confrontation of two exhibition sopposing the avant-garde artists who have since become the great names of modern art, considered as degenerate, and the traditional German painters, all clean limbs and moral values in a brutal exercise of Nazi propaganda. 17 Ave d'Iena (47236121). Closed Sat, Sun. Ends June 15.

Galerie d'Art Saint Honoré. 16th and 17th century Flemish paintings. Amid the exuberance of flowers and fruit typical of Flemish still lives, a painting totally *different in spirit is the central* piece of the exhibition. A young woman holding a dark red carnation gazes at us with such gravitas that the symbols – the prayer book that of piety, white linen of purity and a golden chain round her neck of fidelity – become secondary. Painted in 1530 by Bartholomew Bruyn the elder, the work exemplifies the artist's gift for portraying the sitter's inner self. 267, Rue Saint-Honoré (42601503). Closed Sat, Sun and lunchtimes. Ends July 13.

Amsterdam

Maastricht, Bonnefanten Museum. The finest of the early Italain paintings in Dutch collections have been gathered together in a show containing works by Duccio, Guido da Siena, Filippino Lippi, Bellini and Carlo Crivelli. Ends July 9.

Brussels

Galerie Tzwern. Aisinber: The Circle of Twenty (1884-1893). The Avant-Garde movement in Belgium. 36 Rue aux laines, The Petit Sablon. Closed Mon.

Musee d'Art Moderne. Retrospective of the Belgian abstract artist Victor Servranckx (1897-1965). Closed Mon.

Galerie CGER. The Heritage of the French Revolution 1794-1814. Daily, ends June 11.

Goethe Institute. Graphic Art in German Expressionism. Works by Kandinsky, Klee, Kokoschka and others. Ends June 24.

Bibliotheque Royale. 150th Anniversary exhibition of maps, manuscripts, prints, numismatics. Daily, ends July 15.

Frankfurt

'Je Suis le Cahier', the sketchbooks of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York based Pace Gallery and sponsored by the American Express company, will have its second stop here in Frankfurt on the European tour. These fascinating sketchbooks, owned by Picasso's family have never been shown in public before. All styles and periods in his working life are represented here. These books cover around 70 years of his life; his start in Spain of the turn of the century, the cubism period before the First World War, and followed by the period from 1920 to 1965.

Baden-Baden

Kunsthalle, Lichtenthaler Allee 8a. A retrospective of Jean Cocteau (1889-1963) to commemorate the 100th anniversary of Jean Cocteau's birth, the Kunsthalle in Baden-Baden presents the most extensive show of his work ever,with around 500 exhibits. The exhibition also tries to show the different talents of the artist as poet, dramatist, essayist, painter, sculptor, actor, jazz composer, choreographer, stage setter, film and theatre producer. It is divided into film, theatre, ballet, literature and painting. Ends July 30.

Cologne

Bilderstreit. Rheinhallen der Kölner Messe, Messegelände. Deutz. The two organisers Johannes Gachnang and Siegfried Gohr, present "contradictions and contrasts as the essential source for the debate about contemporary art". This exhibition is in contrast to avant garde: it explains areas of action and attempts to provide an unprejudiced outlook on the current art scene. Approximately 1,000 works by 130 artists concentrate on art since 1960. The show should give a detailed view of different art styles, with "old classics" of modern art next to works by contemporary artists. Among them are Gilbert and George, Kasimir Malewitsch, Blinky Palermoe, Carl Andres, Edvard Munch, Markus Lupertz, photographers Bernd and Hilla Becher, Joseph Beuys and Dadaist painter Marcel Duchamp, John Baldessaris and Georg Baselitz. There are also works from William Copley's collection by Duchamp, Man Ray, Max Ernst and Rene Magritte. Ends July 2.

Stuttgart

Staatsgalerie, Konrad-Adenauer-Str. 30-32. Salvador Dali: (1904-1989). Stuttgart presents the biggest Salvador Dali retrospective since his death earlier this year, to honour him on his 85th birthday. 380 works from all periods of his working life and from several collections, museums, galleries, from all parts of the world, except the Teatro-Museo in Figueras, his home, are to be seen. The exhibition, organised by Mrs Karin von Maur, who tries to explain how Dali's works can combine with the post-modern period, concentrates on his works from the 1930s (surrealism). Among them are pictures which have not been shown in public before. Ends July 23.

Vienna

Messepalast. A thoughtful exhibition, called the History of the Modern Mind, deals with the works of Sigmund Freud as well as the plethora of artists who grew up in Vienna at the turn of the century. Ends August 6.

The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 15.

The Kunstforum, a new art gallery sponsored by the state-run Länderbank, makes its debut with the Leopold collection, a Viennese who bought several paintings by Egon Schiele, one of the leading lights of Vienna's fin-de-siècle, for next to nothing in the 1950s. There are some wonderful Klimt sketches and Kokoschkas. Well worth catching. Ends June.

Secession. Austrian interior designers get a chance to exhibit their work at this marvellous gallery, the original home of a group of radical and highly creative Viennese artists at the turn of the century. From June 7-16.

Albertina. Try not to become annoyed with the depressing layout, the appalling lighting when seeing a wonderful collection of watercolours and drawings by Austrian artists. Included are works by George Eisler and Alfred Hrdlicka. Ends July 16.

Rome

Villa Medici. Rayman: photographs by Man Ray. Extraordinary series of experimental photographs, including portraits of friend and fellow-dadaist Duchamp, of Giacometti, Andre Breton, and a compelling youthful portrait of Picasso. His own self-portraits range from the quaint (wearing a turban topped with a starfish) to the deeply pessimistic Object of my Affection (1932), which shows his supposed death-mask lying in a coffin. Ends June 11.

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism. Ends Oct 2.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and Son (ends Sept 4).

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

Turin

Mole Antonelliana. Carlo Mollino (1905-1973): his home town pays homage to this eccentric and eclectic architect and designer, much influenced by surrealists such as Cocteau and Man Ray, who waged a constant battle in the 1940s and 1950s against the reducing of modern design to empty conventionalism. On show are drawings, photographs, letters, and scale models of architectural projects, left by the artist to the city, as well as furniture and objects lent by private collectors. The exhibition transfers to the Beaubourg at the end of June (ends June 11).

New York

Whitney Museum. The 65th in the long series of Annuals and Biennales features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.

Metropolitan Museum of Art. Goya and the Spirit of Enlightenment explores 160 of the artist's works in relation to his impact on contemporaries and the rationalist modernisation of Spain. Ends July 16.

Guggenheim Museum. More than 100 paintings and drawings by contemporary Austrian artist Arnulf Rainer reveal the unique imagery of a mystic vision translated into an abstract idiom. Ends July 9.

Washington

National Gallery. More than 160 objects from the Fitzwilliam Museum in Cambridge include paintings by Titian, Guercino, Rubens, Van Dyck and William Blake. In addition illuminated manuscripts, ceramics and bronzes show off a collection that is considered "perhaps Britain's pre-eminent museum." Ends June 18.

Tokyo

Suntory Museum. Wall paintings and screens from castles and temples of the Momoyama Period (16th century). The works are of two main types: sumie landscape paintings and colourful paintings on a goldleaf background, both displaying a bold mixture of Chinese and Japanese styles. Closed Mondays.

National Museum of Modern Art, Takebashi. Tatsuo Takayama retrospective. Although his early works show the influence of Gauguin, Takayama (born 1912), is noted as one of the few Japanese painters who have managed to achieve harmony between Japan's artistic traditions and the present. Closed Mondays.

Idemitsu Museum. Ceramics from China. Splendid loan exhibition from the Art Institute of Chicago featuring carved ornaments, ceramic water pots and incense burners, and ranging from the neolithic period to the Qing Dynasty. Refreshments are available and there is a fine view of the imperial palace most. Closed Mondays.

THEATRE

London

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobol's Israeli play about the last days of the Vilna ghetto and its resident theatre company. Moving and shocking. Nicholas Hytner directs, Bob Crowley designs, good music arranged by Jeremy Sams (928 2252).

Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Simon Callow plays Guy Burgess in a rehash of Bennett's fine TV film *An Englishman Abroad* (734 1166).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomat hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less full than expected (834 1317, cc 836 2428).

Henceforward (Vaudeville). Martin Jarvis and Jemma van Cyeghem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women on robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn; a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

Icecream (Royal Court). Caryl Churchill's new play is a dense 75-minute meditation on a transatlantic misalliance between two Americans and their distant English relatives. An intriguingly murderous exercise in style, directed by Max Stafford-Clark (730 1745).

Ivanov (Strand). Alan Bates and Felicity Kendal lead a new ad hoc classical company in Chekhov's first play, translated by Ronald Harwood, directed by Elijah Moshinsky. Bates interestingly renders the critical suicide a Simon Gray character (836 1660).

New York

Bald Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years. The frame of the credits is dimmed by the levity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Speed-the-Plow (Eisenhower). David Mamet's vivid view of Hollywood as a den of thieving deal makers stars William L. Petersen, Bob Balaban and Felicity Huffman. Ends June 11 (254 3670).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy London, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. (National Theatre): Kanadehon Chushingura. The most popular play in the kabuki repertoire, based on the true story of the 47 loyal samurai, is performed in two self-contained parts at 11am and 2.30pm. (265 7411)

Les Misérables. (Imperial Theatre) Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades. Opens Tuesday. (201 7777)

Blues in the Night. Theatre Apple, Shinjuku. (367 5444). Musical revue from off-Broadway, featuring black music of the 1920s and 1930s. In English.

OPERA AND BALLET

London

Royal Opera, Covent Garden. The prestige event of the 1988-89 Royal Opera season is unveiled this week – the new production of *Il trovatore* by Piero Faggioni, conducted by Bernard Haitink, with Placido Domingo in the title role, and Rosalind Plowright, Eva Randova, Sergei Leiferkus and Willard White completing the cast. Royal Ballet, Covent Garden, continues with its new acquisition of full-length *La Bayadère* on June 9 and 10.

Paris

Grand Palais Des Champs Elysées. Bejart Ballet Lausanne presents in the framework of *La Danse et la Revolution* the world premiere of *1789...et nous* with choreography to music by Theodorakis, Wagner, Ravel and African folk music (45787615).

Brussels

Théâtre royal de la Monnaie. The National Opera Company in Monteverdi's *L'Incoronazione di Poppea*, orchestrated by Philippe Boesmans, conducted by Sylvain Cambreling; a new production by Luc Bondy with Catherine Malfitano as Poppea, Marek Torzewski as Nerone and Malcolm King as Seneca. (Fri, Sun, Tues, Thur).

Amsterdam

Holland Festival. Netherlands Opera production of *De Materie* by Louis Andriessen, conducted by Reinbert de Leeuw, with James Doing and Wendy Hill in the leading roles. Nederlands Dans Theater present a new ballet *Tanz-Schul*, to music by Mauricio Kagel, Muziektheater (255 455).

Vienna

Volksoper. *Kiss me Kate* conducted by Herbert Mogg is performed each evening (51444; ext 2658).

Milan

Teatro Alla Scala. Francesco Cilea's *Adriana Lecouvreur* in a co-production with the Bologna Teatro Comunale by Lamberto Puggelli. The cast is led by Mirella Freni, as the tragic heroine (alterning with Natalia Trottskaja), with Peter Dvorsky, Angelo Romero, Ivo Vinco and Fiorenza Cossotto, conducted by Gianandrea Gavazzeni (80.91.26).

Florence

Teatro Comunale. Bellini's *I Puritani* produced by Sandro Sequi and conducted by Bruno Bartoletti. The cast includes the splendid American tenor Chris Merritt, with Dimitri Kavrakos, Luciana Serra and Paolo Coni (Fri) (2779236).

Turin

Teatro Regio. Peter's Busse's production of *La Forza del Destino*, which errs slightly on the side of timidity, somewhat reclaimed by conductor Maurizio Arena's sure touch and Leo Nucci's emotionally charged performance. Also in the cast are Giovanna Casolla, Bonaldo Giaiotti and Nicola Martinucci. AlsoPuccini's *Tosca*, conducted by Marcello Viotti, with Renata Scotto (548.000).

Berlin

Opera: Theater des Westens. *Les Intermittences du Coeur*, choreographed by Roland Petit returns, a guest performance from the National Ballet of Canada with choreography by George Balanchine, John Alleyne and Glen Tetley. Marina Constant's ballet *Der blaue Engel*, specially composed for Berlin has Roland Petit choreography.

Hamburg

Opera. Franz Schreker's opera *Schatzgräber* has regained popularity, thanks to Gerd Albrecht, brilliant as conductor with Gabriele Schnaut and Josef Protschka outstanding in the main roles. This year's international ballet days open with two guest appearances by the Leningrad Ballet Theatre and the Stockholm Cullberg Ballet. Also *La Bohème* with a first rate cast led by Katia Ricciarelli, Gabriele Rossmanith, Giuliano Ciannella and Franz Grundheber.

Cologne

Opera. Rossini's rarely performed one act operas *La Cambiale di Matrimonio*/*Il Signor Bruschino*, produced by Michael Hampe has fine interpretations by Amelia Felle, Janice Hall, Alberto Rinaldi, John del Carlo, and Alessandro Corbelli. *La Traviata*, conducted by Sir John Pritchard is wonderfully sung by Barbara Daniels, Fernando de la Mora, Wassili Janulako and Erlingur Vigfusson. Also *Così fan tutte* with Ashley Putnam, Andrew Andonian, Deon van der Walt, Teresa Ringholz and Ludwig Baumann.

Bonn

Opera. *Ariadne auf Naxos* is respectable with William Murray, Susanne Mentzer, Peter Lindroos, Syndia Steden, Gabriela Benackova and Richard Cowan. The successful Giancarlo del Monaco production of *Die Entführung aus dem Serail* returns with Marielle Devia, Isolde Siebert, Hans Peter Blochwitz and Janko Rybicanin. *Rhapsodie/Theseus and Ariadne* are both choreographed by Youri Vamos.

Frankfurt

Opera. *Iphigenie in Aulis* features Frederick Burchinal, Renate Behle, Sona Theodoridou, Curtis Rayam, Jurij Zinovenko and Vladimir de Kanel. *Rusalka* has a new cast led by Gail Gilmore, Kristine Ciesinski, Ilse Gramatzki, Allan Glassman and Manfred Schenk. Further *Rigoletto* performances with Jonathan Summers, brilliant in the title role.

New York

American Ballet Theatre. The week features Mikhail Baryshnikov's new staging of *Swan Lake* and the all-Tharp programme of *Bum's Rush*, *Everlast* and *Quartet*, set to music by Dick Hyman, Jerome Kern and Terry Riley. Season ends July 1. Lincoln Center Opera House (362 6000).

Washington

Deutsche Oper Berlin. During its fortnight's visit, the company performs *Der Ring des Nibelungen* in one complete cycle. Ends June 18. Kennedy Center Opera House (254 3770).

ARTS

From New York **Alastair Macaulay** reviews Mikhail Baryshnikov's new Swan Lake at the Met while **William Weaver** enjoys a concert at the Museum

Hardly a feather in sight

Mikhail Baryshnikov's new production of *Swan Lake* for American Ballet Theatre after several months' touring, opened the company's Spring season at New York's Metropolitan Opera House, the Monday after the opera company's last *Götterdämmerung*. And, just as productions of *The Ring* are moving away from conceptual-framework revisions and are going back to telling the story as Wagner told it, so now there seems to be a trend to remind the world that *Swan Lake* is about the story of enchanted swan-maidens, their queen and Prince Siegfried, who falls for her but . . .Well, you know the rest; and there it *is*, more or less, on stage with ABT. The sorcerer Rothbart does not turn out to be Siegfried's mother, Siegfried does not take dope and dream the lakeside scenes, Siegfried is not in mourning, there is no jester, and the action has not been transferred to Chaikovsky's Russia.

It's all awfully reasonable and awfully bland. Being *Swan Lake*, it is popular. Baryshnikov has attended to all those points that have always bothered nitpickers about the *Swan Lake* story. You see swans crossing a lake (as in the Kirov version) and then the female dancers who subsequently enter the lakeside realm are obviously swan-maidens. Hardly a feather in sight. When the sorcerer's spell is broken at the end, the corps de ballet dancers lose what swannishness they'd had. And, for those of you who'd been fretting how Siegfried, having fallen for the white-clad swan queen, Odette, could ever be duped by the lookalike anti-heroine Odile wearing *another* colour, it's all right here: Odile wears white too.

The choreography is basically that of the Kirov version of the 1895 Petipa-Ivanov text, with supplementary material made by Baryshnikov to music from Chaikovsky's 1877 Act Three. The dances of Act Four are vaguely along the lines taken by Ashton in 1964 (there are some near-quotations), plus a bit of Russian khovorod – even hand claps – for the swan-maiden corps. There are standard mime passages, too, in the first three acts.

Baryshnikov and his designer, Pier Luigi Samaritani, never forget that this *is* a ballet – not something to be said of the current Royal Ballet production. Though it may not be quite clear whether ABT's version is set in the Middle Ages or later, it's certainly plain that its characters are dressed as dancers. Tights are tights, tunics tunics, tutus tutus, and no pretence otherwise. The decor, quite unlike Samaritani's superb set for *La Bayadère* for both ABT and the Royal, is largely unspecific, Never-Never-Land-ish – except for the ballroom scene, which is hung with medieval tapestries. Acts One and Three are bright, Acts Two and Four sombre. Act One takes place in a lilac, apple and yellow glade; the lakeside world is in deep blues and greens, with some abbey arches for Rothbart's lair.

But the staging hasn't made the lakeside spell compelling in dance terms. You realise later that the most satisfying dancing occurred in Act One. I admired there the limpid performances of Deirdre Carberry, Christina Fagundes and John Gardner in the pas de trois, and I marvelled to see again the unexaggerated, unforced and handsome dancing of the company's men in the waltz and *danse des coupes*. Here was lucid, shapely dancing concerned with humanity – not acrobatics – and it is astounding to find it so harmoniously achieved across a company. Though the female style was more anonymous I hardly noticed during the revels of that first act.

What makes the "Swan" choreography of this ballet exceptional among the 19th century repertory is its degree of romantic strain. The dancers push away from the floor, only to return; they push out from Rothbart's corner, only to return; their arms beat down mightily, and their torsos arch – convex, concave, in dramatic alternation. These elements can make *Swan Lake* as expressive of women's battle against oppression and inhibition as anything by Martha Graham. At ABT, though, there's virtually no sense of stress. The swan-maidens exist in a kind of stagnant enchantment, and that's all. I saw two Odettes, both very proficient. But Susan Jaffe was quite toneless; and Amanda McKerrow's greater sense of tension was still not enough. Baryshnikov's best supplementary choreography is for the male dancers in Acts One and Three. But those are not the acts that give *Swan Lake* its name.

Alastair Macaulay

Wes Chapman and Amanda McKerrow

Mozartian fare

There is music in New York outside the consecrated shrines, the Metropolitan Opera, Avery Fisher Hall, the state Theatre, Carnegie, and for many New Yorkers – daunted by the difficulty and the price of procuring tickets for the widely-touted "big" events – the smaller halls offer more accessible and often more enjoyable occasions to hear music. Readers of this page will know about the concerts at small, friendly Merkin Hall and at the East Side Y. But there are also attractive series of concerts and recitals at some of the city's museums, notably the Frick Collection and the Metropolitan.

Typical of these evenings was the All Mozart Programme presented a few nights ago in the small, resonant auditorium of the Metropolitan, with the Solisti New York Chamber Orchestra conducted by Ransom Wilson. One of America's outstanding flautists, Wilson proved equally musical and sensitive on the podium, conducting a group whose numbers waxed and waned according to the demands of the various pieces that made up the evening's fare.

The first half of the programme was comprised of youthful works. The sweet Divertimento in B flat major K 137, the lighthearted D major "Serenata notturna" K 239 (which, with its bubbling humour, actually made the alert audience laugh out loud), and the Symphony no. 5 in B flat major K 22. This three-movement work, written when Mozart was eight years old, was not surprising so much for its sure skilfulness as for the depth of feeling that marks the haunting Andante, mature in emotional content as it is in craftsmanship. Wilson and his coherent orchestra performed it with the seriousness it deserved, and with grace and suppleness. There was no attempt to make more of the work than is there in the score, but the spell of the piece was beautifully conveyed.

The second half of the evening was given over to a performance of *Der Schauspieldirektor*. Not the play by Gottlieb Stephanie, written in 1786 for a gala entertainment arranged by the Emperor Joseph I, but rather the handful of musical numbers that Mozart composed for it. The text of these was translated by Andrew Porter, who also adapted a bit of Stephanie's text as a spoken frame. For the occasion, this paper's distinguished musical correspondent made his debut as actor. Playing the role of "Andrew Porter," he gave a wry, amusing performance, reading a scholarly introduction to the music, subtly putting himself down, and then engaging in a spirited exchange with the ebullient actor Daniel Marcus, who was the Impresario of the work's title.

As the rival sopranos, Madame Herz and Mlle. Silberklang, Beverly Hoch and Candace Goetz sang with wit and efficacy, the former's moving Adagio neatly contrasted by the latter's sparkling coloratura. As Herr Vogelsang, the tenor Robert White was particularly winning; and the concluding Trio sent the enthusiastic audience out humming the captivating tune. The work was semi-staged, and delightfully acted.

Graphic revelations from the sharp end of the pencil

Deanna Petherbridge reviews two exhibitions at the Museum of Modern Art, Oxford

Popular and personal imagery find powerful graphic expression in two fascinating and complementary exhibitions at the Museum of Modern Art in Oxford.

Downstairs are the penny-prints and broadsheets of Posada, the Mexican artisan engraver who died in 1913 soon after the beginning of the Mexican revolution, and who is briefly included in the South Banks' mammoth *Art in Latin America* presently at the Hayward. Upstairs are the drawings of Philip Guston providing a serial narration of the life and development of an artist who has been one of the most influential figures of the 1980's.

Guston heralded the return to subject-matter and figuration of post-modernism; Posada was rediscovered by Jean Charlot, Diego Rivera and the *Mexican Muralists to* establish the popular basis for post-revolutionary modernism at the beginning of the century.

Much modern art aspires to the condition of drawing, and American Action painting in the 1950's was vitally concerned with spontaneity, the expressive mark, *the processes* of self-revelation in art. Philip Guston was one of the major exponents of Abstract Expressionism, along with Jackson Pollock, de Kooning, Kline and Rothko and it is significant that during the productive period painting in this manner, he stopped drawing. *During* the rest of his artistic career, drawing was a key activity, particularly in times of stylistic change, and his late work, with its concentration on simple images and deliberately crude outline is really drawing in paint.

Guston's apparently schizophrenic break from subtle grey, black and mauve brushstroke abstraction to a simplistic cartoon-like figuration in 1970 roused much controversy, and seemed an act of cynical attention-seeking. The "true" story of his development is revealed in the current exhibition, curated at the Museum of Modern Art in New York by Magdalena Dabrowski, who also wrote the excellent catalogue. It is a story of continuity rather than discontinuity, of cyclical re-use of significant ideas and forms, of persistence of autograph. Drawing forms the calligraphic web of a personal diary, more truthful and revealing than the fragmented and public rhetoric of painting.

Guston was concerned with social and political issues and painted murals in the 1930's for the WPA Federal Art Project, influenced by the Mexican Muralist movement (an interesting link with the Posada exhibition downstairs). Hooded and sinister Ku Klux Klan figures appear in a very early drawing (as they did in paintings and fresco), and then are metamorphosed in cartoon-like drawings in the 1970's; the floating, dismembered heads of his late work can be traced to a commissioned war drawing of 1943; the severed hand, shoe and flatiron of ald age appear in a drawing of 1947.

The drawings link past and future by revealing a reservoir of obsessive motifs as well as an amazingly consistent history of rounded gestures and brusque mark-making, links which are not apparent in the paintings of different periods. Even the abstract drawings of the 1950's, with scratchy accretions of quill-pen marks coagulating into musical rhythms are related in touch to the outline charcoal crawings of the late 1960's and 70's. What changes is not the quality of the line, but is activity, as it separates itself from the page, wraps itself around objects, ties itself to horizon line, composes itself into complex compositions.

Guston's intense struggle in the 1960's between abstract drawings, where he divided the page with bold angles and reductive shapes, and drawings describing recognisable objects and relationships was eventually resolved in the figurative series of hooded figures. The hooded motif obviously derives from the early Klansmen motif, but the figure is also the fool, the artist with a bag over his head engaged in the banal activities of everyday life. Guston evidently saw this series as reflecting the political turmoil of Vietnam and civil strife, but to some extent these works lack bite and anger, even when the hand holding the cigar has turned to berating and the Guston cigar has become a revolver. The deliberately crude charcoal line (or sometimes a rather precious pencil technique) is more humorous than bitter.

During a residency at the American Academy in Rome in 1971, Guston produced a series of acrylics on paper, in which the severed foot, the nail-studded boot, the easel and ladder move into a compositional conflict, far more disturbing and political than the hooded figures. *Gradually the curious* Cyclopean head takes over and a particularly uneasy series of drawings in 1976, of heads enmeshed in spider-webs, burrowing into the sand, deluged and drowning, indicates a time of intense personal crisis. The very last drawings and acrylics on paper recombine the motifs of a life-time into a new and curious synthesis.

Guston's simple imagery is universal, albeit serving a purely personal symbolism. A generation of young students and artists have in turn appropriated the severed limbs, the boot and the cigar as images of urbanism and cultural fragmentation, *along with the* uncouth outline and broad areas of paint. Sixty years earlier, the Mexican muralists turned to Posada, not for his imagery but for his links with folk tradition and urban roots.

Posada's style is of the 19th century, and changes with the demands of client and commission – from crude cartoon to fashion-plate drawing, the macabre skeletons of the *Calavera* specifically printed for the Day of the Dead, or the bold and simplified images of deaths and disasters for fairground pamphlets. Images were cheerfully cannibalised for new purposes

Over the years he moved from lithography, to bold type-*metal engravings and relief* etchings. In the present exhibition, some of the images have been reprinted from original or reworked plates (still belonging to the Arroyo family who originally employed Posada), but although this allows one to concentrate on the energetic *drawing and bold design* and texture, it also adds a slightly spurious "fine art" air to Posada's vigorous and populist commentary of Mexican social life.

"Ink Bottle and Quill," 1968, by Philip Guston

Matrix Ensemble

QUEEN ELIZABETH HALL

Tuesday's Matrix Ensemble event, under the umbrella of the London International Opera Festival, was made up of three one-acters – each a little gem, expertly staged, played, sung, and (by Robert Ziegler) conducted.

Two of its parts were informed by the spirit of early 20th century modernism: Milhaud's *Les Malheurs d'Orphée* and Stravinsky's *Renard*, the first a dry yet poetic reassembling of classical myth, the second a folk legend cut into bright, hard lines and contours. The Matrix group rounded the bill out with the British première of Satie's *Geneviève de Brabant* (1899), a score discovered only after the composer's death (and orchestrated for this occasion by Dominic Muldowney). The unifying feature might be said to be the spirit of the Princesse de Polignac's salon, which at different times all three composers frequented, brought up to date; the results were fresh, entertaining, and stimulating.

The Milhaud opera (1925), a limpid, economical blend of the composer's "Latin American" rhythmic energy and lyrical bitonality, wastes no words, either in getting under way or in coming to its close; there is a toughness about the formulation and pursuit of its dramatic vision which this massively prolific composer often lacked.

The same conciseness informed Lucy Bailey's staging, clothed and placed on the QEH stage with impressive simplicity of effect. The enactment of the three scenes was elegantly spare, with a cinematic distinctness of image; the only problem for the audience-member, an inability to catch most of Brian Trowell's translation as sung by the cast of sight, may have been caused by the stage layout, which allowed the side-placed orchestra to swallow voices with unfair ease. Even so, one was held by the work, placed at a distance from the drama and at the same time seized by it: a strange, haunting experience.

The other two offerings relied for their "production" on the Little Angel Marionette Theatre. The delights provided in the Satie – delicately witty puppets and the various sly manoeuvrings thereof – were amplified by Tilda Swinton's narration and Muldowney's spry orchestral colours; the music itself sounded slight to the point of non-existence, of negligible interest on its own, and so the trappings were of the utmost importance. For *Renard* the use of puppet-figures was influenced by Bunraku and was of quite wonderful aptness – this was certainly the most brilliant account of the piece I have seen, and surely deserves wider currency.

The singers of the evening were Lynne Davies, Yvonne Barclay, Patricia Bardon, Valerie Reid, Paul Harrhy, Hugh Hetherington, Omar Ebrahim, Patrick Donnelly and Nicolas Cavallier: all require to be named, for all were first-rate.

Max Loppert

SALEROOM

Success and shipwreck

The two big salerooms had conflicting experiences on Wednesday. While Christie's was selling an Old Master for a record price of $35.2m (£22.7m) in New York, Sotheby's had a total disaster in London when it tried to break into the market for expensive boats.

The Old Master was a portrait of a young man by the 16th century Florentine artist, Pontormo, that Christie's had fairly convincingly catalogued as Duke Cosimo I de Medici. It was bought by Agnew of London on behalf of the Getty *Museum in Malibu*, a predictable outcome since the painting was considered to be the best Old Master still in private hands in the US. The under bidder is believed to be Wendell Cherry, using the money he made from selling the self portrait "Yo Picasso" last month for almost $48m.

The Pontormo gave the upward push to the Old Master market that dealers wanted, in the hope of drawing in some of the investment cash that has been concentrated on Impressionist and 20th century art.

"The battle between Lent and Carnival" by Pieter Brueghel the Younger sold for a record £1.88m, and there were good prices of £800,000 for a large still life by de Heem and of £404,000, paid by Agnew, for a Wouwermans stag hunt in an *auction* which totalled £23.7m with only 4 per cent unsold.

Meanwhile Sotheby's came up against the sailing Establishment in its efforts to sell off some expensive, and not so expensive, boats, an activity traditionally controlled by brokers. None of the top, million pound plus, yachts, owned by the likes of Peter de Savary, attracted a single bid, perhaps because they had been on the market privately before Sotheby's tried them at auction. Only eight of the 28 boats changed hands and the top price was the £37,000 paid for a virtual wreck, the 1892 cruising cutter Marigold, currently on the bank of the River Tamar in Cornwall.

As consolation in New York on Wednesday Sotheby's set a record for a Chinese painting of $342,548 for what is actually a 13th century scroll. A 19th century Ching famille rose chrysanthemum bowl made £1m.

Also on Wednesday Sotheby's made over £1m on the first day of the sale of the contents of Thoresby Hall in Nottinghamshire, the old home of the Pierrepont family. The dispersal has aroused much opposition – the contents of Thoresby gave a good representation of life in a grand Victorian house. There was particular disquiet at the sale of the armour.

However, this is a very mixed collection, with no familial links. It attracted considerable interest yesterday and a composite Maximilian armour of around 1530 sold above estimate at £16,500.

Antony Thorncroft

ARTS GUIDE

June 2-8

MUSIC

London

City of London Sinfonia. Nicholas Ward (violin) and Crispin Steele-Perkins (trumpet). Mozart, Haydn and Vivaldi (Fri) Barbican Centre (638 8891).
The Philharmonia conducted by Howard Blake and Sir David Willcocks, with the Bach Choir. Royal Festival Hall (Fri) (928 8800).
National Symphony Orchestra conducted by Simon Joly. Rossini, Rachmaninov, Strauss, Grieg and Tchaikovsky. Barbican Centre (Sat) (638 8891).
London Concert Orchestra conducted by Fraser Goulding, with Rossini, Strauss, Mascagni and Tchaikovsky. Royal Festival Hall (Sat) (928 8800).
London Symphony Orchestra conducted by Richard Hickox, with Margaret Marshall (soprano), *Arthur Davies* (tenor) and the London Symphony Chorus. Elgar. Barbican Centre (Sun) (638 8891).
Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy. Brahms. Barbican Centre (Mon and Wed) (638 8891).
Forest Philharmonic Orchestra conducted by Frank Shipway, with Sarah Walker (mezzo-soprano). Mahler. Royal Festival Hall (Sun) (928 8800).
London Symphony Orchestra conducted by Sir George Solti, with Murray Perahia (piano). Mozart and Mahler (Tue) and Beethoven and Brahms (Thur). Barbican Centre (638 8891).
The Philharmonia conducted by Giuseppe Sinopoli, with Alicia de Larrocha (piano) and Lucia Popp (soprano). Mahler and Mozart. Royal Festival Hall (Wed).

Paris

Kathleen Battle, Martin Katz piano: Handel, Schubert, R. Strauss, Faure, Spirituals (Mon) Théâtre de l'Athénée (474 26727)
Il Giovanne Quartetto Italiano. Mozart, Schubert, Verdi (Tue) Nouveau Theatre Mouffetard, 73, Rue Mouffetard (43311199).
Maurizio Pollini, piano recital (Tue) Salle Pleyel (45638873).
Maîtrise De Radio France conducted by M. Lasserre de Rozel, I Musici Praga conducted by M. Vymer: Bartok, Poulenc, Rivier, Mihalovici (Tue) Radio France (42301516).
Orchestre de Paris conducted by Daniel Barenboim, with Susan Dunn, Waltraud Meier, Luciano *Pavarotti, Ferruccio Furlanetto*, Orchestre de Paris choir conducted by Arthur Oldham. Verdi's Requiem (Wed, Thur) Salle Pleyel (45630796).

Brussels

Finals of the Queen Elisabeth Violin contest, with the Belgian National Orchestra conducted by Georges Octors (Fri, Sat) Palais des Beaux-Arts.
Brussels Choral Society, the BRT chorus and the Brussels Festival Orchestra conducted by Tom Cunningham with Julia Kennard (Soprano) Michael George (Bass) performing Brahms' Ein deutsches Requiem (Mon).
Marc Taisada *(piano) performing* Mozart. Concert Noble (Wed).

Amsterdam

Netherlands Philharmonic Chamber Orchestra with the New Music Choir and soloists, Hunb Kerstens conducting. Bon, Kerstens, Van Rossum, Webern (Sun).
Royal Concertgebouw Orchestra, with Isabella van Keulen (violin), conducted by Riccardo Chailly. Wagenaar, Prokofiev, Schnittke. (Mon).
Netherlands Philharmonic, conducted by Hartmut Haenchen, with Bella Davidovich (piano). Beethoven (Mon). Beurs (270466).
Leningrad Philharmonic, conducted by Mariss Jansons. Glinka, Prokofiev, Tchaikovsky, Stravinsky (Tue, Wed). Concertgebouw (718 345).

Utrecht

The Hague Philharmonic, conducted by Hans Vonk, with Ronald Brautigam (piano). Beethoven (Sun).
Purcell's King Arthur, performed by the Amsterdam Baroque Orchestra and the Choir of the Netherlands Bach Society and soloists, Ton Koopman conducting. (Wed) Vredenburg (31 45 44).

Cologne

Piano Trio Andras Schiff, Yuuko Shiokawa, Boris Pergamenschikow, playing Haydn, Rafael Kubelik and Schumann. Philharmonie (Fri).

Frankfurt

Jose Carreras *Lieder recital with* pianist Lorenzo Bavai. Scarlatti, Bellini, Stradella, Fauré, Duparc, Massenet, Tosti, Turina, De Falla, Ginastera, Gustavino, Nacho and Puccini. Alte Oper (Sat).
Radu Lupu piano recital. Bach, Mozart, Schubert. Alte Oper (Mon).

Berlin

Berlin Philharmonic Orchestra and choir with Julia Varady and Dietrich Fischer-Dieskau, conducted by Uwe Gronostay. Brahms' Requiem (Sat, Wed).

Vienna

Over the next few weeks, Vienna will be dominated by its annual "Wiener Fest Wochen" which opened on May 11 and continues to June 18.
Wiener Symphoniker conducted by Kurt Masur. Schnittke, Franck. Konzerthaus (Fri).
Synthesizerkonzert, with Romayne Wheeler. Wheeler, Mussorgsky. Votivkirche. (Sat).
Recital by Luciano Pavarotti, with Leone Magiera, piano. Musikverein. (Mon).
Wiener-Hofburg Orchester, conducted by Gert Hofbauer. *Miscellaneous operetta works. Musikverein* (Tues).
Kuchl Quartett. Haydn, Ravel, Shostakovich. Musikverein (Wed).
Wiener Symphoniker, conducted by Christopher Hogwood. Bach's Mass in B minor. Konzerthaus. (Thurs).

Rome

I Virtuosi Di Roma. Angelo Stefanato, violin, Rocco Filippini, cello and Augusto Loppi oboe, playing Corelli, Telemann, Boccherini, Vivaldi, Tartini and Vivaldi (Fri). Carlo Maria Giulini conducting Beethoven's Missa Solemnis with soprano Elizabeth Connell, Julia Hamari (contralto), Siegfried Jerusalem (tenor) and Simon Estes (bass). Auditorium in Via Della Conciliazione (Sun, Mon, Tues.) (6541044).

Milan

Teatro Alla Scala. Myung Whun Chung conducting Mussorgsky, Tchaikovsky and Shostakovich. (Mon) (80.91.26)

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich. Offenbach, Britten. Kennedy Center Concert Hall (Tue) (254 3776)
National Symphony Orchestra conducted by Mstislav Rostropovich with Cleopatra Ciurca (mezzo soprano), Paul Plishka *(bass), and the Choral Arts Society* of Washington directed by Norman Schribner. Prokofiev programme. Kennedy Center Concert Hall (Thur) (254 3776)

Tokyo

Janacek Quartet. Janacek, Dvorak, Smetana. Tokyo Bunka Kaikan, recital hall (Mon) (449 8451)
Aprile Millo (soprano) Gluck, Handel, Bellini, Schubert. Kan'i Hoken Hall, Gotanda (Mon) (235 1661)
Moscow Philharmonic Orchestra, conducted by Dmitry Kitaenko. Tchaikovsky, Shostakovich. Suntory Hall (Tues) *(505 1010)*
Finnish Radio Symphony Orchestra, conducted by Jukka-Pekka Saraste. Sibelius, Debussy, Schumann. Suntory Hall (Thur) (235 1661)
Tallis Scholars, conducted by Peter Philips. Josquin de Pres, Gibbons, Gombert, Lassus. Casals Hall (Thur) (403 5871)

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Friday June 2 1989

Conflicts, big and small

THE UK now offers on a Lilliputian scale what the three major industrial countries display on a Brobdingnagian one: a vigorous internecine debate on the targets and instruments of economic policy. All participants agree on the aim of price stability in a growing economy; the issue that divides them is how to turn that into policy.

The main point of disagreement is the relative weight to be given to domestic monetary indicators, on the one hand, and the exchange rate, on the other, in forming monetary policy. Here Mrs Thatcher would appear to have intellectual allies in Mr Pöhl, president of the Bundesbank and Mr Alan Greenspan, chairman of the Federal Reserve. They would at least agree that the exchange rate should be an indicator, not the predominant target for monetary policy.

Meanwhile, the Japanese do what they think makes sense at the time in the confidence that the Japanese economy will always save them from the consequences of mistakes. The rise in the discount rate this week may, in fact, prove too little too late. If so, they can blame the pressure from the US Treasury, whence comes a point of view that – in the UK – is only to be found within the Opposition: the belief that interest rates are always too high. A better policy package, even from a narrow US perspective, than that recommended by Mr Nicholas Brady, would be higher interest rates in Japan and West Germany, combined with other measures to stimulate domestic demand.

Spreading confusion

The unfortunate consequence of disagreement combined with inaction is to spread confusion in the minds of investors and traders. Worse, it is to spread confusion where much effort had gone into reducing it – through the Chancellor's repeated commitment to avoiding depreciation and, on the global scale, through the commitment to exchange rate stability in the Louvre Accord.

Once again, both the UK and the Group of Seven suffer from the unwillingness to commit themselves to explicit target ranges for exchange rates. The result of trading outside what had been thought the desired ranges is puzzlement. Has the policy been abandoned altogether, is there a new trading range, or do policy makers simply find it impossible to agree on anything at all?

It is not that there is no intellectual case for "benign neglect" of exchange rates. It is more that the policy lacks credibility. Investors know that governments care about the exchange rate and even that most of them have little confidence in particular monetary indicators. The consequence of the current disarray is, therefore, not to replace one coherent policy by another but rather to replace it with nothing.

US unilateralism

Meanwhile, the most important reason for remaining concerned about the value of the dollar was displayed at the OECD meeting itself, in the criticism of the self-righteous unilateralism of US trade policy. Against this background, further appreciation of the dollar is clearly what the world does not need.

Since the dollar remains far from its peaks of four years ago (and even below most estimates of purchasing power parity), the refusal of the Bundesbank to raise interest rates further may prove justified, especially when the D-Mark has been showing a little strength this week. It was Japan's turn, in any case. But, if the dollar renews its climb, one would hope to see offsetting action on interest rates in the US, Japan and West Germany.

The Bundesbank's determination to surprise has, at least, allowed the UK's 14 per cent base rates to live and fight another day. In the absence of a credible alternative, the commitment to the exchange rate must not be doubted. It is not that its abandonment would leave the UK with some more effective alternative. Given the conflicting signals of the monetary indicators, it would, in practice, leave it with none. Getting things wrong in Lilliput may not matter very much to the rest of the world, but it is still very uncomfortable for the inhabitants.

Labour relations and the law

THE THATCHER Government is right to examine measures to discourage the sort of unofficial industrial action which yesterday brought London Underground to a halt for the fifth time in recent weeks. But it should be part of a measured reappraisal of how its industrial relations legislation might be developed into the 1990s rather than a set of *ad hoc* reactions.

The Government's framework for industrial relations law is now widely accepted. Both the Labour Party and the TUC want to modify the legislation. But they broadly accept many of its principles: that lawful trade disputes should be confined to immediate issues between a union and an employer, that strikes should be preceded by secret ballots and that there should be fairly tight constraints on secondary action.

This acceptance is a mark of the Government's success in providing a legal underpinning for more stable industrial relations. Yet it cannot be set in concrete. The increasingly sophisticated, tactical use of the courts by unions and employers is gradually changing the character of disputes. Instead of simply providing a framework for settling disputes, the law is channelling them into formal, legal procedures.

Thus the question facing the Government is no longer how to reform the industrial relations system it inherited from the 1970s. A new agenda is being created, in turn creating a series of dilemmas for the Government.

Bad old days

As it has become more difficult for unions to call official action, so the incentive is increased for groups of workers to stage wildcat strikes. With a tightening labour market more workers may follow the example of the tube train drivers. This may not presage a return to the 1970s when unofficial action often accounted for more than half the days lost through disputes. But there is a risk of a partial throwback to the bad old days.

Yet the Government should tread warily. Sanctions against individual strikers pose serious difficulties. The prospect of workers having their homes seized by bailiffs or being sent to prison for withdrawing their labour raises fundamental questions about the balance between the freedom of the individual and the need for industrial order.

Restoring legitimacy

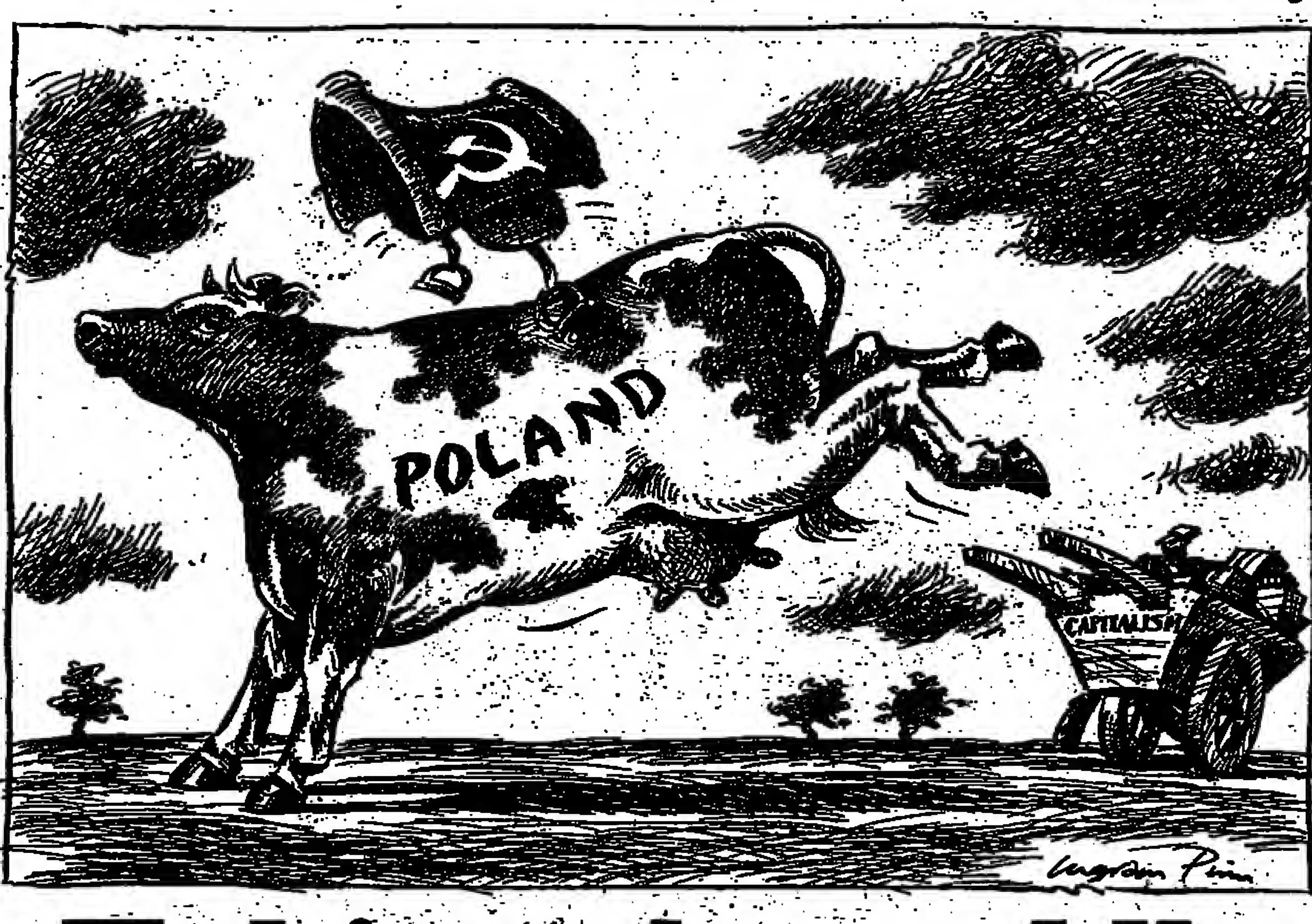
The Thatcher Government's legislation has done much to improve the unions' standing with the public and their members. It is more difficult to be anti-union when they scrupulously follow the law, ballots are held before strikes and their leaders are elected by membership ballots. The unions are using the legislation to restore their legitimacy.

Unofficial action could be curbed by building upon this to make unions liable for unauthorised action taken by their members. But this would give the unions greater disciplinary control over employees and a more central role in industrial relations at a time when the Government and many managers want to limit the scope of unions and collective bargaining. The Thatcher Government has often seemed torn between the desire to make unions behave more responsibly and the desire to whittle away their power.

The increasing imposition of legal sanctions in disputes means that Britain is *de facto* developing a collective bargaining system in which agreements are legally structured. It is a short step from this to binding agreements along the American pattern.

It may be that some employers and unions will want to move in this direction. But it would be quite wrong to assume that detailed legal interventions will provide the solution to all industrial conflicts. Many of the recent disputes in the public sector reflect weaknesses in the management of industrial relations. The Government should encourage public sector managers to examine forms of extended arbitration, no-strike agreements and employee involvement which have been introduced in the private sector. The law can provide no more than a set of rules within which management and employees find solutions to their own problems.

John Lloyd looks at what is at stake for Poland in Sunday's elections



Taking the saddle off the cow

The last large task which the Polish United Workers Party has given itself is to secure capitalism in Poland, against what the country's leadership fears might be the violent objections of its citizens.

Never in any of its periods – idealist-Stalinist, reformist, expansive, defensive – can the ruling party have thought that this would be its fate. Nor, too, could Solidarity, the movement born in revolt in Gdansk, have divined that it would be calling for social calm alongside the party.

Yet Mr Wladislaw Baka, the PUWP's politburo member with responsibility for the economy, can lament that while the command economy has been largely left behind, "still market mechanisms do not fully work either. We are in a kind of trough. The issue is whether we overcome the problem or slide back down. The political will of the party is very important in effecting this conversion to a market economy."

The party's leaders could never have believed that they or their system were popular or accepted. Stalin himself once remarked that bringing communism to the Poles was like "fitting a cow with a saddle" – but they did believe that they were a vanguard, chosen by the laws of dialectical materialism, charged with bringing in a secular paradise through a Marxist-Leninist reading of history.

The last vestiges of this belief die with the elections to the Sejm (parliament) and Senate on Sunday. Elections cannot co-exist with the coercive idealism of communism. They introduce the element of consent and liberate all the pre-communist ideologies and forces in society – such as the Catholic Church, nationalism, social democracy, even Polish imperialism – which have lived on in a half world of part opposition to, part co-option by, the party.

But you do not have to look very far to uncover a great fear. It is a fear that the transition to economic and political pluralism cannot be achieved because the people will not tolerate the sacrifices required in a situation where the clamps on their expressions of frustration have been partly removed. And it is a fear that the democratisation of political life will not be able to proceed in the manner planned because it is insufficient compensation for the rigours of inflation, of 20-year housing waiting-lists, of food shortages, of miserably low incomes, of worsening health and educational services, of the drain of youth out of the country and of the widening social inequalities which even limited adjustment to market forces has brought.

The fear is shared (though in differing intensities) by both party and Government, and now by Solidarity too. This great movement of protest achieved legality as a union at the round table talks with the Government which ended in April. With that it won the right to contest all the seats in a newly created Senate, together with the 35 per cent of seats in the Sejm open to choice – 65 per cent are reserved for the party and its Peasant, Democratic and Catholic allies.

As a result Solidarity has lost both the relative simplicity of pure opposition and its monopoly over the opposition forces. It is being outflanked from left and right. The Confederation for an Independent Poland is more fiercely anti-communist; Fighting Solidarity, the breakaway section of the main movement which rejects all compromise, is more militant. Thus in making a deal, Solidarity has acquired a stake in stability.

Addressing an overflowing meeting earlier this month in the Warsaw district of Zoliborz, which he is contesting, Mr Jacek Kuron, a leading Solidarity intellectual, spent much of a funny, rambling, 90-minute speech warning his listeners against hoping for the collapse of the regime.

"We think we must take advantage of the situation because otherwise conditions were becoming ripe for civil war . . . There is a chance of a peaceful road to democracy. The alternative would be terrible for us all . . . The whole (reform) programme may be lost if people go out on the streets and burn election committee offices, including Solidarity's."

This differs little from the misgivings of government ministers and party leaders. "We must," says Mr Zdzislaw Skakuj, director of the Foreign Investment Agency, "be careful not to be swept off course by populist ideas." Mr Dominic Jastrebski, the Foreign Trade Minister, who is campaigning for a parliamentary seat, says: "People need reassurance that there will be stability." But most of the people the minister meets grumble about living standards.

Another campaigner, Dorota Jasina, of Solidarity in the port city of Szczecin, says: "I believe we will get support. But people can't feel the changes in their everyday lives. They don't believe in anything much. They are indifferent." In his speech at the end of the round table talks, the Solidarity leader, Mr Lech Walesa said: "Freedom goes together with bread."

In the same speech, he underlined that the democratic system agreed upon was a partial one, but that both sides had agreed "that the next elections (in four years' time) must be completely democratic." Though this is a promise, it is also an act of faith by Solidarity which could be betrayed if the reformers lose momentum: hence their continual and increasingly anxious stress on the need for Western credit to bolster the reforms.

Mr Janusz Kaczurba, deputy Trade Minister, says: "Without credit it would be possible to carry out the reform – but at a snail's pace and that would be no reform."

What does the party get out of it? Is it possible that it has accepted the likelihood of a loss of power in four years' time? Or does it believe it can, to use Mr Baka's formulation, gain enough kudos from a successful exercise of "will" over this period, through extending the market and making it work, to gather to itself a fund of goodwill and enough popularity to make it seem the natural party of government?

The ruling party wants a market system; but knows little about its likely social effects

The party and government apparatus have attracted talented people, who justify their actions in a tradition of Polish pragmatism forged in two centuries of national dismemberment, or occupation by alien empires or alien ideologies. As Mr Daniel Passent, Poland's best-known journalist, wrote in a famous column in the weekly, Polityka, soon after martial law was declared in 1980: "It would be wrong to kow tow, but equally wrong to sit back with our arms folded."

Speaking at a forum on Poland's economic problems in February during the round table talks, Mr Stanislaw Ciosek, the politburo member with responsibility for propaganda, said: "We want to introduce opposition forces into the system of exercisable authority: not parliamentary opposition. This would be by means of democratic elections in which parties would present different programmes but within one socio-political system. (That is, socialism)." In this way, the party might lose formal power but would have cemented socialism into place: it would have left a legacy to give the lie to any charge that 40 years of power have been a cruel waste of time.

But it seems barely possible. The party itself wants a market system, but it knows little about the social effects of such a reform. Professor Jan Mujzel, one of Solidarity's main economic advisers, says: "No one knows what share of private ownership will be enough to create favourable conditions for marketisation – it could be 20 per cent, it could be 80 per cent. For the communists, this is a dramatic question, for it touches on the fundamentals of doctrine."

This matter of ideology will be a painful one for Solidarity, too. Some of its leaders, like Mr Kuron and Mr Mujzel are essentially social democratic. Mr Kuron, in his Zoliborz speech, attacked the Government's admiration for Mrs Margaret Thatcher and said that of the two ways of closing redundant capacity – the Thatcherite way with high unemployment and the Swedish way with retraining and the creation of new jobs – Poland must take the latter "or there would be no restructuring."

But others in its ranks or among its circle of advisers are neo-liberals, who admire Mrs Thatcher. Mr Andrzej Malachowski, a long-time Solidarity activist who served two years in prison under martial law, has, on release, set up the Unicum network of private companies which has made him a multi-millionaire in Polish terms. He now runs Solidarity's national election office. He forecasts: "We'll see the internal fragmentation of Solidarity – for example, Rural Solidarity is for the market, Workers Solidarity is rather against it. In the new parliament, we'll see shifting alliances, with a neo-liberal party being formed – people from both Solidarity and the party side might join."

Yet the pessimism cannot suppress the central dynamic of even a partially free election: the need to gain legitimacy through the vote. The party has revamped its traditional approach of putting up for election a mixture of specialists and time servers, replacing these with candidates who may or may not be party members but who are thought to command some local respect or, at least, authority.

In Szczecin the manager of the big Warski shipyard is standing: he got the required 3,000 signatures for his candidacy from his own workforce. Mr Jastrebski, the Foreign Trade Minister, and Mr Dariusz Przywieczerski, general manager of the Universal Trading Company, are both quite open about using their position and power to show their putative constituents what an advantage their representation would be. Mr Przywieczerski has a project going in his constituency to carry water to villages which lack a supply. It smacks of electoral bribery and the pork barrel, of a rawness which most Western democracies have experienced but in time smoothed down – though it is still a small matter compared to Japanese practice.

As Mr Ciosek, the politburo man says: "We want the elections to close the Polish crisis: not the crisis of the past seven to eight years (since martial law), but that of the last 45 years." Like many such pronouncements by leading party figures, it is suggestive but ambiguous. What crisis does he mean? Can he mean that since the Communists have been unable to gain acceptance in the country which, more than any other in Eastern Europe, has visibly and forcibly rejected them, they wish to resolve the crisis by dissolving themselves? Have they determined that if the price the West wishes to exact for more financial support is democratic reform, then democratic reform it shall have – the first example in history of national liberalisation in exchange for a loan?

No matter: the reasons are not as important as the ability of the democratic process to take root and sustain itself. The difficulties in this are clear and manifold. The economy is in a structural impasse. If it is to find an escape through rendering itself attractive to foreign investment and domestic entrepreneurship, it can only succeed by taking in the cheaper labour activities of transnational companies or producing cheaply – but with higher quality – for the world market.

For this strategy to succeed, almost everything which Poland does not have is needed: hard currency reserves, managerial expertise, labour peace, a convertible currency, a stock market, a helpful and highly motivated bureaucracy, good physical communications, good telecommunications, simple import-export regulations and a network of consultancies, investment institutions and venture capitalists.

The country starts up the democratic slope with a huge weight on its back. But, at least, it no longer has the saddle which Stalin, apparently fully conscious of the savagely absurd project he was undertaking, strapped upon it.

OBSERVER

Unprintable Fullick

■ Derrick Fullick, the only visible official trade union face to be seen in the current wave of unofficial industrial unrest on the London Underground, is not known for mincing his words. As one trade union colleague put it yesterday: "Derrick calls a spade an effing shovel."

A growing number of British trade union leaders look and sound like their West German counterparts. Trim in their suits, smooth in their politics, they have carefully logged the "new look" Labour Party politics in their filofaxes.

Not so Fullick. The recently elected leader of the train drivers union Aslef (although he does not formally take over until the New Year, he already plays a pivotal role as assistant general secretary), is an old-style, unreconstructed trade union militant, with a small "m". Suggestions that trade union power within the Labour Party should be neutered, and strikes made a thing of the past, are anathema to him.

During the last serious outbreak of industrial militancy by train drivers in 1982, Fullick lost his patience not only with British Rail management, but also with his own trade union colleagues.

At the time, the then TUC general secretary, Len Murray, was trying to smooth out the traditional mutual antagonism which has plagued Aslef's relations with the National Union of Railwaymen. In a fit of temper, Fullick threatened to drop Sid Weighell, then the NUR general secretary down the lift shaft.

As for his relations with the media, the usually personable Fullick has a tendency to use so many expletives to describe the complexities of industrial relations, that radio journalists are left without quotes.

With such a man straddling the rail lines, Britain's commuters can hardly expect a bed of roses in the coming months. And yet one senior manager who knows him well said yesterday: "He is certainly outspoken, but he can be surprisingly flexible at times." He argued that Fullick puts the interests of his members first, but can respond to management suggestions as to how best these interests can be furthered.

In the current Underground dispute, Fullick has responded rather dismissively to revised offers from management aimed at pacifying the drivers. But he has also dissociated himself from the unofficial action which appears to be organised by men of rather more militant persuasion than himself. So far, even his strong language has failed to get the drivers under control.

Old haunts

■ Sir Nicholas Goodison returns to the Stock Exchange today for the first time since he gave up the chairmanship last year. The occasion is the retirement of Harry Vincent, one of the waiters on the 22nd floor, at the age of 62. The waiters act as security guards and bring tea and coffee in silver pots. It was Vincent who, when Goodison was under attack from the Sun newspaper, introduced buttons into the exchange labelled: "Stick with Nick".

Paper wars

■ Chatto & Windus, the publishers, are seeking to reintroduce the art of the pamphlet with a new series called CounterBlasts. The title harks back to the magazine Blasts, which was largely written by Wyndham Lewis at the start of the First World War. The aim in 1914 was to challenge the

"It's a British passport."

alleged complacency inherited from the Victorian period.

Carmen Callil, the managing director of Chatto who is behind the series, says CounterBlasts will not be overtly party political. But they are clearly not going to provide a smooth ride for the Conservative Party.

The first pamphlet is by Jonathan Raban, the writer and literary critic, and is called God, Man & Mrs Thatcher. It consists entirely of a critique of the Prime Minister's address last year to the General Assembly of the Church of Scotland, which is reprinted in full before being systematically torn apart.

The address was remarkable because it was a personal statement of Thatcher's beliefs and was plainly not much touched by ghost-writers. It concluded with a number of references to the hymn: "I vow to thee my country". Raban notes: "It has never been sung in the Church of Scotland."

Other CounterBlasts published this week are Paul Foot's Ireland: Why Britain Must Get Out, and A Rational Advance for the Labour Party by John Lloyd of the Financial Times. The initial aim is to produce about one a month until the end of next year.

Whether they will make much money for Chatto must be in some doubt. They are beautifully produced, but cost only £2.99. To borrow an old phrase from the Prime Minister, however, they might "stir things up", which is what Calill says she wants.

Local politics

■ Much to the fury of the Labour Party, Barbara Bush, wife of the President, was escorted yesterday by Kenneth Baker, the Education Secretary, to a Brixton school. The school is on the edge of the Vauxhall constituency where there will be a parliamentary by-election this month and it looked like the Tories cashing in on the publicity.

Labour had its reward, however. Mrs Bush said on television what a very good school it was. Neil Fletcher, leader of the Inner London Education Authority, was on hand. "In that case," he said, "would she ask the Education Secretary why he plans to abolish it?"

Pay later

■ Events in Argentina are leading to a crop of melancholy jokes in Buenos Aires. "There are two ways out of the crisis," according to one. "The city's two international airports."

The election defeat of President Alfonsin's Radical Party last month has led to the saying: "The Radicals are like Halley's comet. No one is going to see them again for another 70 years." But the saddest story may be true. It is said to have become cheaper to eat in a five-star restaurant than at home. Residents explain that in the restaurant you pay by credit card; when the bill finally comes, it will have more than halved in value.

POLITICS TODAY

Britain now on the outside looking in

By Joe Rogaly

Britain is beginning to look lonely. It is not quite at home in the European Community. It has become uneasy within Nato. It remains out of sympathy with much of the Commonwealth. The value of its special relationship with the United States is uncertain, in spite of the charm exuded by President George Bush in London yesterday. Not all of this is the fault of Mrs Margaret Thatcher, but she is responsible for much of it.

Consider the quintessentially Thatcherite remark of the week. "Wriggle as some people might," said the Prime Minister on Tuesday, "that's what they've signed up to." She was commenting on that day's Nato communique, which provides for negotiations on a "partial" reduction in land-based missiles in Western Europe, but not before a new treaty on conventional arms has been concluded and implementation is "under way." This, says the British Government, means that the idea of a "third zero" – a Europe free of land-based nuclear missiles – is now off the agenda and we can sleep safely in our beds at night. No, says the wriggly West German Chancellor, Herr Helmut Kohl – it means that there may be a third zero one day, so that Germans can sleep safely.

Mrs Thatcher is right – and wrong. She is right about the letter of the communique. A rejection of the third zero is what the West Germans and everyone else signed up to. She is wrong about its implications. For it postpones a decision on replacements for the Lance short-range nuclear missiles until 1992, when circumstances and both the British and the West German governments might have changed. As likely as not there will never be a modernisation. In short, the stream of history is probably with the German and not the British view.

I say "probably" because no one can be certain that the Russian peace offensive will last. Mr Gorbachev continues to impress. His relative openness this week about the state of the Russian economy and the burden upon it of the arms bill is further evidence that the Soviet Union cannot afford to return to the ways of the Cold War. These are, however, early days. We have just seen, in China, how a call for reform can be squashed. If there ever was, heaven forbid, a reversion in Moscow the Germans would rush to the protective Lance of the US.

Yet the consensus, even among President Bush's advisers, is that this is unlikely. Thus Mrs Thatcher's initial opposition to talks on short-range missiles made Britain the odd man out at this week's Nato 40th anniversary meeting; its rearguard action against the communique increased that sense of stubborn isolation. Perhaps this does not matter. Foreigners are becoming accustomed to the stridency of the voice from London. There is a painful analogy close to home: I suspect that many Europeans react to No 10 Downing Street in the same way as do Conservatives to criticisms of the Prime Minister by Mr Edward Heath – you know you will get a stream of bad-tempered outbursts so you shrug your shoulders.

As to the EC, the story is the same. Britain has signed the Single European Act, which will mean a gradual erosion of sovereignty. Wriggle as some people might, that's what they've signed up to. In this instance the wrigglers are the Thatcherites, especially those of the Bruges variety. They are carping at the both the letter of the law and its spirit. They are getting a British-made liberalisation of the European market in 1992, deregulation and all, but would deny their partners a unified monetary system or the fig-leaf of a social dimension.

The upshot is that Britain's only close allies in the EC are the Danish and the Dutch, and the Dutch may soon go the other way. Mrs. Thatcher has failed to win over the Spaniards and not attempted to forge intimate links with one of the big three – Germany, France and Italy – of the kind that Palmerston would have understood. Think about it. The Franco-German relationship, now a formal marriage, is under some strain. The French worry as much as the rest of us about Bonn's leaning towards neutrality; meanwhile the Germans have broken solidarity with the French on several technical matters. Britain and France are the independent nuclear powers in Europe; President Mitterrand has twice said that Mrs Thatcher is right about Lance missiles and France has joined Britain in seeking to keep aircraft that deliver nuclear bombs out of President Bush's new round of disarmament talks. A Palmerstonian British Prime Minister might try to woo the French away from Germany, with talk of true historic partnerships and changes in the East. There is no evidence that we have such a Prime Minister.

It could be argued that this English myopia about Europe does not matter – that it is the Americans who count. Since the Second World War, the Atlantic Alliance has been a fundamental pillar of British security, and so it remains. Mrs Thatcher elevated this concept to surreal heights during the eight years that Mr Reagan was President. She poured treacle over him, and he responded in kind. The brainlessness of it was of little consequence, since Mr Reagan could (usually) be relied on to utter what she regarded as the correct words. He had the right instincts. He believed in a few simple precepts. She likes that.

The continental Europeans had reason to be grateful to Mrs Thatcher for her almost unique ability to get through to him (sometimes even when his own close associates could not). She saved the day after Reykjavik, when he nearly accepted a non-nuclear world, and over Star Wars, when he forgot about deterrence. She let Britain take the heat when he bombed Libya; only the US invasion of Grenada was wholly disapproved of in London.

Mr Bush is different. The Prime Minister knows him well. She made a point of meeting him privately on every visit to Washington during the Reagan years. She flattered him by saying that she wanted to hear what he, Bush, thought. Yet the pay-off is not certain. For the new President can communicate on the level of the intellect, as opposed to mere instinct. He can counter her arguments. He is constrained by the hold the Democrats have over Congress; he cannot emulate the joyous Reaganism of the early 1980s, even if he wants to.

She trusts Mr Bush to pursue the "right" foreign policy (she has little alternative), but is not so happy to leave things to his Secretary of State, Mr James Baker. Is he a man of principle, she asks, or is he simply a fixer, a negotiator who is more concerned to get a deal than to get the right one? There is little she can do about that, either. With Mr Reagan, she was the belle of the ball; with Mr Bush she will be an occasional wallflower.

One reason is that the bilateral relationship with Britain is not an American priority. Sorting out the relationship with Japan is top of the list. Next comes West Germany, partly because it has to be kept true to the West, and partly because of its economic strength. The US President knew what he was doing when he visited Chancellor Kohl before Mrs Thatcher this week: Germany is not only geographically central to a vision of Europe that stretches from the Atlantic to the Urals, but it is also likely to prove central in every other way.

Britain is, however, a valued old friend. As a former intelligence chief, the President will be aware of the significant Anglo-Saxon links in the world of espionage and security. Many of Mr Bush's appointments are of East Coast professionals who are often Anglophile and usually well-known to their London counterparts. They are pleased that Britain's voice will be loud in opposition to any idea of a protectionist, fortress, Europe. US conservatives, who form an important part of the President's political constituency, are ardent admirers of Mrs Thatcher; they want him to pay her due respects.

In terms of broad global interests this does not add up to much. This week's Nato deal was a brilliant compromise, imposed by the Americans, but designed to keep the Europeans happy as a pack, not to bring the West Germans around to a special Thatcher-Bush view. It is the Germans who wanted the prospect of talks about a non-nuclear Europe; and Mrs Thatcher who could not stomach the idea.

It is not yet clear whether she will also have to compromise on smaller issues. The Prime Minister has high hopes of arranging a political settlement in South Africa. She put this on the agenda for yesterday's talks with Mr Bush. Her view is that an eventual constitutional compromise may be reachable, if the black nationalists will accept a federal formula. The trouble with this is that to Pretoria federal is likely to mean tribal. That would simply perpetuate the old system whereby the blacks are kept divided and the whites rule. The Commonwealth is likely to see through such a device, which is why Mrs Thatcher may find it reluctant to follow her lead in spite of the work she has put in to win over African leaders in recent trips to Lagos, Harare and other African capitals.

President Bush may be temperamentally inclined to leave such peripheral matters to the British, but South Africa is a political issue in Washington. He recently received Archbishop Desmond Tutu and the Rev. Alan Boesak in the White House, to hear their appeal – made on behalf of black South Africans – for hands-on American involvement in the search for a settlement. Congress, which favours a tough moral stance, is likely to push the President in the opposite direction from the one being urged by Downing Street. Here too, the special relationship is not so special as to override the perceived interests of the White House. Under Mrs Thatcher, Britain, devoid of empire, uncomfortable in any other grouping, has yet to find a role.

LOMBARD

Goodbye to family life

By Michael Prowse

POLICIES TO promote the family seem likely to figure prominently in the Conservative party's next election manifesto.

There is even talk of a Ministry for the Family; an idea which sounds absurd only because it is new. Families presumably matter as much as farmers – and a Whitehall ministry has long championed their interests.

Years of neglect have taken their toll. The British family, like the elephant and the whale, is becoming an endangered species. Those estate cars which used to zip up and down the motorway, filled with screaming children, are increasingly a nostalgic memory.

According to Social Trends, the government publication, only a miserable 28 per cent of households consist of a married couple and dependent children. Most such families, moreover, are indecently small: Mums and Dads with three or more children account for only 5 per cent of households.

A quarter of all households consist of a single mooching individual. The proportion of these has more than doubled in the past 30 years. More than 85 per cent of the additional households expected to be formed over the next decade will consist of single people. By 2001, the proportion of single person households will have risen to 30 per cent.

The British divorce rate has risen 30-fold since the early 1930s and is now the highest in the European Community. One in three new marriages is destined to end in divorce. Nearly a third of marriages are remarriages of previously divorced people. One in five children can expect to witness their parents' divorce before they reach the age of 16. Nearly a quarter of all births take place outside marriage.

A diminishing proportion of children born into stable families get the attention from parents which once was taken for granted.

Many women neither wish nor can afford to stay in the home to bring up children. More than 30 per cent of women with a youngest child under five go out to work; the ratio rises to 60 per cent when the youngest child is aged between five and nine, and to 70 per cent when the youngest is between 10 and 15 years old. Fathers rarely seem inclined to take the place of departing mothers.

In theory, changing attitudes to marriage, divorce and childrearing should present no problem for the Thatcher Government.

It stands for personal freedom and reduced state intervention. The individual, rather than the family or household, is the unit that counts in market liberalism. If people want to live alone, get divorced, leave small children to their own devices, that is their prerogative. State promotion of one particular way of living, on these premises, amounts to paternalism of the worst kind.

Such reasoning suggests that social policy, rather than adapting itself to the needs of traditional families – a minority of households – should strive to cater for the way people actually live today. If 30 per cent of households will shortly consist of single people, a big expansion of professionally-provided community care must be a priority. Likewise, if most mothers neither want nor are able to care for their own young children, then an expansion of professionally-provided child care facilities is an urgent requirement.

Yet the repeated calls for policies to promote the family show that many Conservatives do not sympathise with this logic. They believe the decline of the family is inextricably linked with other social ills – such as indiscipline among the young, and misery and poverty among the old. Policy, it is felt, should not take the destructive behaviour of individuals as a given, but rather seek to influence this behaviour.

This is a sound insight. The stereotyped "cornflake" family of the 1930s may not be worth preserving. But it is surely not foolish to recognise the limits of market liberalism. The lifestyle freely chosen by most people today is not necessarily the best. We may not need a Ministry for the Family, but we do need to think much harder about the merits of alternative lifestyles – and about ways of promoting them.

LETTERS

'Self-inflicted inflation'

From Mr Christopher Meakin.

Sir, For weeks, if not months, you have reported how the London markets have been "hit by sterling fears." Scratch around a little, and the real fear is that the Chancellor of the Exchequer is about to raise interest rates yet again.

Has not the masquerade gone on long enough? The Treasury would have us believe that some magic level of UK interest rates is still being sought. When found, this magic level will stabilise sterling, fend off the influences of the rest of the world's economies, and usher in some economic Age of Aquarius.

Reality is different. Higher interest rates do not cure inflation; they cause it. More precisely, they play havoc with the retail price index as currently constructed. Worse: the prices they hit – such as mortgage rates – are at the least avoidable end of the consumer spectrum. Yet this pernicious form of self-inflicted inflation earns a Nelsonian blind eye from the Treasury.

Roll on the day the Chancellor leaves interest rates alone, and has sterling take the strain instead. Let the Treasury switch its Nelsonian blind eye to that kind of price inflation: imports of fruit, vegetables and consumer durables, holidays on the Costa Brava – the most avoidable end of the consumer spectrum.

Time to end the masquerade. If the inflation argument is really about factory input prices, and consumer prices are a meaningless cipher, then let the Treasury change its inflation index.

The second we are seeing 1929 revisited. On that occasion the economy was wrecked not by the October crash, but by an obdurate belief in the curative powers of the gold standard, which followed.

This time, the damage will be inflicted not by the October crash (of 1987), but by an equally obdurate belief in the curative powers of a high exchange rate.

Christopher Meakin,
59 Court Lane, SE21

Tactical black arts

From Mr Gary Morton.

Sir, According to Rachel Johnson's report (May 23), cabbies are astonished by Mr Portillo's sharp U-turn on the deregulation of the London black cab trade.

There is no need to be astonished. The U-turn is a tactical one. Industrial action on Network SouthEast and London's tubes and buses is quite enough for the moment. When these disputes are concluded, the Tories' strategic scalpel will slice into a 300 year monopoly to exorcise yet another section of the enemy within.

Gary Morton,
36 Fassett Square, E8

Borrowing blues

From Mr Seymour Fortescue.

Sir, For Elizabeth Stanton of the Retail Credit Group to castigate banks for their overdraft charges (Letters, May 25) is bizarre, to say the least.

Even taking into account Barclays' annual overdraft arrangement fee of £10 – not £100, as printed – the APRs (annual percentage rates) quoted by Mrs Stanton for Barclays' overdrafts are still generally well below the APRs charged on store cards issued by the Retail Credit Group's members.

Members of this Group include: Burton Group (34.4 per cent); Dixons (33.7 per cent); Granada (39.9 per cent); Littlewoods (32.5 per cent); Marks & Spencer (34.5 per cent); Next (38.4 per cent); Rumbelows (32.9 per cent) and Storehouse (32.9 per cent).

Compare these figures with Barclaycard (26.8 per cent) and Barclays Assent card (19.9 per cent), and it is not difficult to see whose products represent the better value.

Perhaps Elizabeth Stanton should focus her attention rather closer to home – by investigating interest rates charged by her own members.

S.H. Fortescue,
Barclays Bank,
54 Lombard Street, EC3

Next settlement

From Mr Trevor Spittle.

Sir, I was surprised to learn that at Next plc's recent AGM, the chairman advised shareholders that a mutually satisfactory termination agreement had been reached with Mr and Mrs George Davis, but that as this was to remain confidential, he was unable to inform shareholders of its terms.

It was stated in the press that no information about the settlement would need to be included in the subsequent published accounts of Next.

Shareholders are left to speculate on how a satisfactory settlement was achieved. (Perhaps by way of share options?)

But shareholders are entitled to know the terms; they should not have to speculate. The Next board has acted in a cavalier manner by agreeing to a confidentiality clause, in disregard of the shareholders' legitimate interests in this matter.

A similar confidentiality clause was included in the agreement between Blue Arrow and Peter de Savary, regarding the company's £25m loan. These parties have now agreed to ignore it. The board of Next, and Mr and Mrs George Davis, should follow the same course.

Trevor Spittle
35 Ridgemount Street, WC1

Encourager les autres

From Mr David Barton.

Sir, Mr Neville Beale believes (Letters, May 25) that Churchill's offer of union with France in 1940 was declined, never to be repeated.

Richard Lamb's recent book, The Failure of the Eden Government, refers to the Cabinet minutes of September 18 1956, when the then Prime Minister, Sir Anthony Eden, reported that the French prime minister had recently asked whether the British might be prepared to revive the offer of common citizenship made in 1940.

The Cabinet rejected common citizenship with France 14 days later.

David Barton,
Loafers, Bosham Lane,
Old Bosham, West Sussex

Price paid for mobility

From Mr Alan Smallbone.

Sir, Mr Michael Burton (Letters, May 4) seems to believe that labour mobility is particularly desirable for that 0.25 per cent of taxpayers earning over £60,000 a year. Why is it not equally desirable for others?

It is understandable that employers should wish to hold on to staff they need. The opportunity to provide a defined benefit pension scheme helps this objective. "Snooks could get a 25 per cent salary increase by moving, but it would scupper his pension," is thought – by those who are thus enabled to inhibit free competition - an entirely proper approach.

Two arguments are advanced to justify this: "Why should others benefit from our training?" and "We pay pension contributions – so why not?"

First, even the most expensively trained individuals – engineers and accountants, say – have their qualifications by the age of 25; they are not necessarily trained by their employers at all.

The second argument is more specious.

Roughly half the money in pension funds is contributed by scheme members themselves, and by tax privileges – and all tax privileges are allowed at the expense of other taxpayers. Using tax-breaks at state expense in this way is an abuse which has long outlived its usefulness to the community as a whole.

Alan Smallbone,
30 Temple Fortune Lane, NW11

Bonny banks need care

From Mr Donald Warnock.

Sir, Hazel Duffy's report on Scotland's central region (May 30) tended to over-simplify the transformation from heavy industry to tourism.

Living near Loch Lomond, I find it incredible that more exploitation of this beauty spot is planned. New facilities should be available – but not at the expense of old ones: existing tourist paths need renovation, and better road facilities should be provided, especially up the east coast of the loch. I am all for idealism, but surely the money should be spent realistically.

Donald Warnock,
Ashlea,
Gartness,
Drymen, Stirlingshire

FINANCIAL TIMES
Friday June 2 1989

Solidarity blooms in the country

Christopher Bobinski looks at the political awakening of rural Poland

THE Polish countryside this spring is experiencing an unprecedented political awakening, which in many places could flower into massive support for Solidarity candidates in national elections next Sunday.

The elections for the first time since the 1940s are giving Poles a free choice for a new 100-seat upper chamber, the Senate, which is likely to be dominated by Solidarity.

The opposition movement is also contesting 35 per cent of the seats in a lower chamber, the Sejm, which are reserved for non-communist and allied party members.

The poll is forcing Solidarity, traditionally strong in the factories, to take an interest in the countryside, which has helped finance Poland's post-war industrialisation, and is now increasingly demanding a reversal of spending priorities and higher farm incomes.

The radicalisation marks a blow for the authorities, who had hoped that official candidates would have an easy passage to the 60 per cent of Senate seats representing the so-called green provinces, where 40 per cent of the population lives and where the opposition had always been weak.

Indeed, in 1981 when the towns massively supported Solidarity, the private farmers who own 80 per cent of the land were slower to swing behind Farmers' Solidarity, the free trade union's rural ally.

Now, the roles are reversed. Recruitment to Solidarity is mounting slowly in the towns, while Farmers' Solidarity is reporting much faster growth in many areas. To officialdom's horror, the church in the countryside is also wholeheartedly backing Solidarity. Wherever, for example, the opposition does not have enough people to sit on the official election committees to guard against fraud, priests have been putting parishioners forward.

The first signs that the countryside was stirring came earlier this year during the round-table talks between Solidarity and the Government which gave rise to the present electoral accord.

It was also then that farmers in many provinces refused to pay increased land taxes and insurance payments and some even stopped delivering food to the state.

Zamosc province in eastern Poland, with about 330,000 voters and one of the country's least urbanised districts, was one of the main centres of the protest movement. Farmers here are still refusing to pay land taxes.

Village after village has national flags out to show support and weather-beaten banners strung across the road proclaim the strike message.

The mood is running so strongly against the authorities that, in a fine historical irony, local activists maintain that, had they been able to persuade the province's pre-war largest landowner, Count Jan Zamoyski – who still lives in Warsaw and whose ancestors founded Zamosc in the 16th century, to stand for the Senate, he would have won with flying colours.

In Piaski Szlachecki, where the tax protest started, farmers confirm that they would have voted for the count.

This mood also favours Solidarity's candidates for the Sejm and Senate: a local doctor, a local teacher and the head of the the local Farmers' Solidarity union.

"Of course I'll vote for Solidarity, after all this time farmers deserve a better deal," is a not an untypical comment. Mr Henryk Wujec, a 47-year-old top underground Solidarity organiser and now the influential general secretary of the Solidarity election committee, is also standing here for the Sejm. He was born in Bilgoraj near Zamosc where his brother still farms the family land.

He has been campaigning at weekends, driving from town to town and village to village speaking at open-air meetings, on church premises and in village halls explaining about his opposition activities and appealing for support for "Lech Walesa's team" which was going into parliament to fight for basic changes in the political system.

Like other Solidarity candidates, Mr Wujec's speech is an indictment of the past 44 years of communist rule in Poland, during which the system was to blame for "destroying agriculture" and seeking to bring in collectivisation in the 1950s. Now, too, he is promising to champion the farmers' cause.

The support is there but Solidarity's nightmare in the rural constituencies is that, with a relatively complex voting system, people will get the ballot papers mixed up and cross off the wrong candidates.

In past elections, voting came down to putting ballot paper into the box without making any choice. Indeed, in many cases one family member would go to the voting station and vote for all.

"We are with you," one aged farmer told Mr Wujec at a meeting in a village called Radzieczyn in a room next to the church. "But only 10 per cent of our people understand how to vote" to get Solidarity elected, he said. More explaining was needed, he pleaded. Otherwise, he warned: "We'll fail this exam."

Taking the saddle off the cow, Page 20

Poll briefing: Solidarity's nightmare in rural areas is that, with a complex voting system, people will mix up the ballot papers


Foley: confident

Leadership to be sought from Foley the healer

By Lionel Barber in Washington

MR TOM FOLEY, who is certain to become the next Speaker of the US House of Representatives, starts with an important advantage over his disgraced predecessor, Mr Jim Wright.

He is independently wealthy, and this financial security, beginning with his middle class upbringing in farm country in Washington state, has given Mr Foley, 60, a self-assurance and confidence which eluded Mr Wright, a restless, headstrong individual whose political roots stemmed from the Depression.

Democrats are looking forward to next Tuesday when Mr Foley, the House majority leader, is expected to be voted the new Speaker. They view him as a healer in the current torment over ethics, but also as a future consensus builder and an articulate national spokesman for their party.

In this view, the ascent of Mr Foley is further confirmation that coalition government rules in Washington, with power shared between the Democratic legislature and the Republican White House.

The question is whether bipartisanship and Mr Foley are being oversold. He does have the reputation for being a little too conciliatory, a little too eager, in former Speaker Mr Tip O'Neill's words, "to see three sides to every issue."

In a House whose heterogeneous instincts were only temporarily tamed by Mr Wright, Mr Foley has to demonstrate leadership abilities. He failed, for example, to stem a budget vote revolt last April when Mr Wright was distracted by his ethics problems. His approach to shaping a new party agenda is revealing: it will be "a collective decision, not a single-person responsibility."

But there is much goodwill among Republicans and Democrats for Mr Foley, a cultured man who, like his former employer Senator Henry "Scoop" Jackson, feels as comfortable talking about foreign policy as local farm issues. He has a good grasp of East-West relations, trade and other subjects of national concern: reasons why some speak of him as a natural vice-president.

UK-US links 'remain strong'

Continued from Page 1

offensive throughout the world."

There was apparently little detailed discussion of the new Nato conventional arms proposals, which will now be considered by working groups in the run-up to the resumption of the Vienna talks. Referring to the Soviet Union, Mr Baker said "the ball is in their court and a response by them is clearly called for."

Mr Baker said there was no discussion about the plausibility of the timetable set for the Vienna talks, which Mrs Thatcher has described as optimistic. He brushed aside Soviet suggestions that British troops stationed in West Germany should be included in any cuts in combat forces, noting that there were plenty of Warsaw Pact troops apart from the Soviet ones.

Both leaders were concerned about the implications for Hong Kong of the massive upsurge in Vietnamese refugees arriving in the colony by boat.

THE FT COLUMN

Strange tales from the gilt market

The last couple of days have been terrible for gilts, if rather better for gilt market-makers. Long gilts fell half a point yesterday, after a fall of one and a quarter points the day before, and yields are now decisively through the 10 per cent barrier. The worries are partly familiar – inflation and a collapsing currency – but there is a new one: the feeling that an economic problem has turned political.

Partly, this comes down to honest confusion over what Mr Lawson is up to. But for the market, there is a more specific concern. The idea has got around not only that Mr Lawson is under ideological fire for targeting exchange rates, but that the alternatives put forward by Mrs Thatcher's advisers somehow include a return to the old policy of overfunding, or at least a suspension of gilt buy-backs.

It is not easy to see how this would help the present crisis. Doubtless, without the buy-back programme long yields would be higher again; and perhaps if a quick bloodbath were engineered in the market, foreign buyers might be induced to rush in, thereby propping up sterling. But they might do nothing of the sort; in which case the Government would have thrown away the twin advantages of the downward yield curve – the incentive for companies to borrow long, and the propaganda claim that the markets are not worried about UK inflation beyond the immediate future.

It would not be surprising if Mr Lawson were seeking a middle way between risking the recessionary effects of 15 per cent base rates, and letting sterling and inflation go hang. But long-term changes to funding policy have no place in crisis management. This particular idea sounds more the combined product of the urging of monetarist advocates like Mr Tim Congdon, and the natural desire of gilt traders to suggest that their livelihood is not withering away after all.

British Telecom

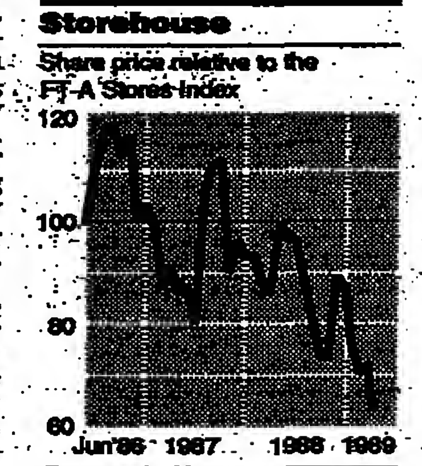
The long-term bulls of British Telecom cling to the belief that it is not a boring old utility, despite yesterday's near standstill in fourth quarter profits. It is one of the few major UK businesses which should still be able to demonstrate healthy volume growth even during a recession, and BT's management has plenty of scope to boost profit growth for many years to come just by trimming away at the group's substantial corporate fat.

But for the moment, all this is just a dream which could easily be spoilt – by the advent of a less sympathetic UK Government, or by a few more expensive deals like BT's $1.5bn investment in McCaw Cellular. Meanwhile, the group is not going to come close to matching last year's 10 per cent earnings growth in the current year. The continued emphasis on improving quality and modernising the network is taking a heavy toll at a time when costs are accelerating, revenues are slowing and competition on the really profitable businesses is mounting.

First half profits are going to be miserable, and an anywhere near decent full year outturn is going to depend on BT keeping its growth in wage costs to under 10 per cent and risking the wrath of the Government by pushing through a 4 per cent rise in prices before the end of the Summer. If it does neither, it does not deserve to be on a prospective multiple of nearly 10 and a yield of 5½ per cent.

Storehouse

Share price relative to the FT-A Stores index



Storehouse

Storehouse is busy rediscovering basic retail principles – like the one which says it is easier to sell a customer something he wishes to buy than something designer precepts suggest he ought to have. But though market research may feel like a revolutionary departure for the group's managers, it is hard to see it doing anything revolutionary for Storehouse profits in the near term – especially as it involves taking BhS down market before the programme to take it up market had even been completed.

Habitat UK contrived to lose money last year, and this year may well do the same. Having demonstrated what every customer knew all along – that stock control is appalling – it is now struggling to master the art of stocking items for which there is a market, and not just what fits into the storeroom. Some of the blame for yesterday's distressing results can be laid on others: the Chancellor, the unions, the landlords. But the vast majority appears to have been self-generated.

The bad news for shareholders is that the new Storehouse management probably cannot triumph over the adversity of current market conditions. And if things are really that bad, it follows that what Michael Julien cannot do, Asher Edelman probably cannot manage either. It remains surprising that he should ever have wished to try: Storehouse is surely the last place to look for hidden value in the stores sector, as the least property-rich of the retailers. Mr Edelman has the leisure of a virtually unlimited bid period to decide what he will do: if he decides to bid, the current price of 165p will probably end up looking 30p too low; if he does not, it is certainly at least 30p too high.

KLM

KLM's decision to join one of the rival consortia in the $3bn-plus auction of Northwest Airlines, the fifth biggest US carrier, is interesting on a number of counts. Although SAS already has a minority interest in Texas Air, KLM is the first major European airline to attempt to take a stake in a healthy US carrier. While British Airways and other European carriers content themselves with US marketing arrangements, KLM's move suggests that arrangements of this kind are no longer sufficient to satisfy an ambitious major international airline.

The obvious disadvantage – that foreign carriers cannot buy more than 25 per cent of a US airline – is offset by the belief that the first international airline to have significant positions in the Far East, North America and Europe will have a huge competitive advantage. There is an obvious fit between much of Northwest and KLM's business, and the key question now is whether KLM and its partners will be be prepared to top the competition and pay close to 20 times prospective earnings for Northwest.

Seal of approval for liberal members of Government

Solidarity has moved to shore up its agreements with Communist Party leaders for political and economic change by publishing an interview with Mr Mieczyslaw Rakowski, the Prime Minister, in its daily newspaper, Gazeta Wiborcza, writes Christopher Bobinski.

Publication comes four days before national elections in which some of the Communist Party politicians responsible for the present liberalisation could find themselves voted out of Parliament – to the dismay of Solidarity leaders.

The interview, in which Mr Rakowski declares that the Soviet Union is no longer interfering in Poland's internal affairs and suggests a two- or three-year moratorium on wage demands, is meant to signal to opposition supporters that at least some top party people are worthy of support.

The text will cause consternation among Solidarity supporters, many of whom are determined to vote against the party establishment.

Mr Rakowski hints that he would even consider offering Mr Adam Michnik, a veteran dissident and the newspaper's editor, who conducts the interview, a post in the Government after the election.

Will it be possible to create a "new model of co-operation between the Government and opposition?" Mr Rakowski asks. Mr Michnik replies: "An opposition which took part in the Government would cease to be an opposition."

Moscow denies Georgia massacre blame

By Quentin Peel in Moscow

THE SOVIET authorities yesterday granted two important concessions to the rising tide of nationalist demands, to head off a threat to Communist Party rule in the Baltic republics and Armenia.

However, they also sought to place the blame for the massacre of nationalist demonstrators in Georgia on the disgraced leader of the local Communist Party, denying any responsibility in Moscow.

The first key concession came in the Congress of People's Deputies, when Mr Mikhail Gorbachev gave his backing to setting up a special commission of inquiry into the secret Molotov-Ribbentrop pact, which led to Soviet annexation of Estonia, Latvia and Lithuania in 1939.

It was also revealed that 11 nationalist leaders of the informal Karabakh Committee in Armenia, co-ordinators of a campaign for the enclave of Nagorno-Karabakh to join the republic, had been released from detention and allowed to go home pending trial for inciting unrest.

Despite a sharp difference of opinion among the deputies, Mr Gorbachev's intervention in the Baltic question meant that the commission was approved by acclamation.

"The Baltic republics are stirred by this issue," he said. "It is not an easy question, but we should not evade it."

The Soviet leader revealed that he had asked Chancellor Helmut Kohl of West Germany if he knew of the existence of the secret protocol in Germany.

Chancellor Kohl said he did, and the Soviet Foreign Ministry had requested the original, Mr Gorbachev said. Only copies had ever been found in the Soviet Union.

However, the most telling support came from Mr Roy Medvedev, the leading historian just readmitted to the Communist Party, who said the three Baltic republics had been annexed during a war between imperialist powers, including the Soviet Union.

The 11 members of the Karabakh Committee, who enjoy strong support in Armenia, were arrested after December's earthquake, when their relief efforts threatened to usurp the authority of the local Communist Party and Government.

A spokesman for Armenpress, the local news agency, told Reuters that the Karabakh committee had been released at the request of Mr Suren Arutunyan, leader of the ruling party in the republic.

The third explosive national issue at the Congress - the question of who ordered Soviet troops to disperse a demonstration in Tbilisi in April, causing the death of 20 demonstrators – continues to cause the leadership embarrassment.

Murdoch and Disney settle disagreement

By Raymond Snoddy in London

MR RUPERT MURDOCH's News Corporation and the Walt Disney Company have reached agreement in principle to settle a lawsuit launched with considerable acrimony last month.

Yesterday, lawyers in Los Angeles were putting the final touches to a deal that would involve Mr Murdoch withdrawing a $1.5bn action he filed against Disney after plans for a joint venture fell apart.

Mr Murdoch's Sky Television, which began operating four satellite channels in February, was due this autumn to add a £12a-month pay television package consisting of the Disney Channel and Sky Movies.

If he agrees to drop his lawsuit Mr Murdoch, who is chief executive of News Corporation, would gain access for Sky Movies over the next five years to all films made by Touchstone, Disney's successful Hollywood studio. He would also be able to show on his general entertainment service some of the programmes that would have been carried on the Disney Channel.

In addition, Sky would be able to broadcast on its general entertainment service some of the Disney Channel programmes.

There will be an understanding – although this will not be a legal condition of the settlement – that if Disney decides to launch its own channel in the UK, it will do so on the Astra satellite, as News Corporation would prefer.

In particular, Mr Murdoch wants to ensure that a Disney Channel does not go to the rival British Satellite Broadcasting, in which Pearson, publisher of the Financial Times, has an interest. BSB last week confirmed its intention to postpone its launch, originally planned for September, until next spring.

Under the settlement which was taking shape in Los Angeles last night, Mr Murdoch appeared to have secured much of what he wanted – access to attractive programming without the difficulties of a joint venture between two very different companies.

WORLD WEATHER

[illegible]	[illegible]

Lawson denies there is a sterling crisis

Continued from Page 1

He brushed aside concern about Britain's large current account balance of payments deficit. In a world of free flowing capital such deficits could be financed for a long time if underlying monetary and fiscal policies were sound.

He believed the period of inflationary resurgence was coming to an end. He doubted whether there was a case in the world for a general further rise in interest rates. Monetary tightening should be allowed to have its effect.

Earlier he told the annual ministerial meeting of the Organisation for Economic Co-operation and Development that the Government would not waver in its resolve to make the defeat of inflation the top priority. But he also warned against impatience for quick results.

He said inflation in the Group of Seven leading industrial countries had reached its highest level for nearly five years.

Our Financial Staff write: The decision of West Germany's Bundesbank to leave its interest rates unchanged helped lift pressure from sterling on foreign exchanges yesterday. Markets had feared an increase in West German rates would depress sterling and possibly force another rise in UK interest rates.

By the end of the day in London, however, the pound was quoted 1.25 pfennigs higher at DM3.12. It held steady against a slightly firmer dollar, closing 5 points stronger at $1.5730, while on the Bank of England's trade weighted index against a basket of currencies, it finished 0.1 better on the day at 92.4.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday June 2 1989

INSIDE

A baby born out of wedlock

In the mind of Jean-Pierre Desgeorges (left) entente cordiale has come to mean just one thing: scrapping national and company rivalries for the common good of GEC-Alsthom. And to this end the group's new head is a man in a hurry. Not for him a month spent waiting for the closing of a deal that will merge the power systems division of Britain's GEC with the heavy engineering group Alsthom of France. He has already started internationalising activities of a company where half the FFr50bn ($7.3bn) annual sales total will come from outside its two home markets. Page 24

False dawn in the Alps

When it comes to improving the treatment of foreign investors, the Swiss have displayed a distinctly unsure touch. Nestlé's decision last November to open its registered shares to foreign ownership appeared to herald a new dawn for the Swiss stock market. Yet last week the board of the foods group ran into strong criticism from shareholders over its proposals. And instead of opening up a new era, Nestlé's actions and other developments on the Swiss corporate market this year have left investors perplexed. Page 43

Mailmen race for the post

The motto of the US Postal Service makes much of the gallant mailman trudging through rain, heat and snow as he fights to complete his alloted round. Nothing can stop him, boasts the anthem. Well almost nothing, for what the poet of the post left out was the sheer weight of letters under which mail services worldwide have begun to buckle. It is a problem that international courier groups, like Federal Express and DHL, have been quick to exploit. Paul Abrahams explains how they and the more traditional operators are turning to new technologies in the fight for customers and competitive advantage. Page 33

Innovation amid the cornfields

Winnipeg is an unlikely place in which to find Canada's third largest life insurer. The dour prairie city is better known for its grain trade and despicable climate than for its financial services expertise. But this unfashionable home base has played an important role in the development of Great-West Life. Without being somewhat insulated from the sector's conservative mainstream in Toronto and Montreal, the group would probably never have developed the innovative approach which has helped it to prosper to the point where it has assets of more than C$17bn ($14.2bn). David Owen reports. Page 25

A Rose by any other name

Imry Merchant Developers, the company at the centre of the dispute over the remains of the Rose Theatre in Southwark, south London, recorded a 72 per cent increase in its net asset value per share. This was abnormally high even for a sector used to buoyant figures, reports Paul Cheeseright. Page 31

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			Sigma	893	+ 45.2
Rises			Vallourec	484.7	+ 20.5
Continental	288.5	+ 5.5	**Falls**		
Schering	578	+ 12	Saes	775	− 68.4
Deutsche Bank	542.5	+ 15.5	Eux	1345	− 51.9
Falls			Credit Nat	1133	− 40.4
Nixdorf	320	− 3.5	**TOKYO (Yen)**		
NEW YORK ($)			**Rises**		
Rises			Tokyo Sokuhan	1850	+ 300
Circut Cnrs	41⅞	+ 1½	Kawasaki Elec	1480	+ 130
Citicorp	32⅝	+ ¾	Kyowa Elec	931	+ 81
Fst Interstate	57¼	+ 2⅜	**Falls**		
IBM	110½	+ 3	Nichei Const	2020	− 190
Prime Computer	18¼	+ ⅞	Mameos Shows	1210	− 110
UniCare Fnl	15⅞	+ 1	Shinkogo	1200	− 100
PARIS (FFr)					
Rises					
Synthelabo	529	+ 30.7			

New York prices at 12.30.

LONDON (Pence)			WPP Group	885	+ 11
Rises			**Falls**		
Austin Reed	398	+ 5	Bass	933	− 11
Concentric (np)	53	+ 5	Dewhurst	127	− 12
London & Man	282	+ 9	Kingfisher	290	− 10
McDonald Mrs A	1605	+ 55	SMC	730	− 14
Parkdale	123	+ 6	Redland	570	− 14
Racal Elec	516	+ 17	STC	350	− 10
Racal Telecom	479	+ 17	Westland	128	− 5
Ratners	246	+ 9	Wolves	284	− 9
Reed Intl	395½	+ 5½			

AT&T-Italtel deal may lead to share swap

By Alan Friedman in Milan

THE co-operation deal between American Telephone & Telegraph of the US and Italtel, the state-owned Italian telecommunications equipment maker, is expected to result in a share swap between the two companies.

Final details are likely to be announced next Thursday at the annual meeting of Stet, half of the IRI-Stet combine which is Italtel's ultimate parent company.

It is understood that under the accord, Stet will acquire 20 per cent of AT&T-Network Systems International (NSI), the Dutch-based telecom unit that started out as a joint venture between AT&T and Philips and is now 85 per cent owned by AT&T.

NSI had total sales last year of around $600m (£385m). In return, AT&T will acquire – either directly or via NSI – a 20 per cent equity stake in Italtel.

The US telecommunications group, which had sales last year of $35.2bn, was chosen as the prospective foreign partner nearly four months ago by IRI-Stet, Italtel's parent company.

The selection of AT&T, which beat three European competitors – Siemens of West Germany, Alcatel of France and Ericsson of Sweden – means that the US group stands to win a big share of nearly $30bn of equipment contracts tied to Italy's five-year plan to modernise its system.

Since agreement in principle was reached in February, a working group has been negotiating financial and technical details. Yesterday Professor Romano Prodi, chairman of IRI, went to brief Prime Minister Ciriaco De Mita on the terms of the accord, which will give the Italian company access to technology from Bell Laboratories.

● Istituto San Paolo di Torino made a consolidated L579.6bn (£260m) net profit for 1988, up from L565.2bn in 1987.

● Casa di Risparmio delle Provincie Lombarde increased net profits by 11 per cent to L267bn for 1988.

Storehouse profits slump to £11.3m

By Maggie Urry in London

A COLLAPSE in annual pre-tax profits from £114.9m to £11.3m was announced yesterday at Storehouse by Mr Michael Julien, chief executive, on the first anniversary of his arrival at the UK retailing group.

Shareholders had been warned in February that profits would be significantly lower, even before an exceptional write-off which yesterday came out at £49.4m ($77m). This was higher than the £48m estimate given earlier in the year.

The results for the year to April 1 were at the bottom end of expectations but the shares only fell 4p to close at 165p.

One surprise was a plunge into losses at Habitat, the household goods chain which was the foundation of the retailing empire built up by Sir Terence Conran, chairman of Storehouse.

Mr Julien, brought in by Sir Terence to sort out the group's many problems, said that although the results were "clearly unsatisfactory" Storehouse was in excellent shape financially. The dividend has been maintained, covered largely by extraordinary gains on the sale of stakes in Savacentre and the French chain Fnac.

Analysts said the real test will be whether the current year's dividend can be paid out of trading profits.

No comment came from Mr Asher Edelman, the aggressive US investor, who has a holding of 8.1 per cent of Storehouse's equity.

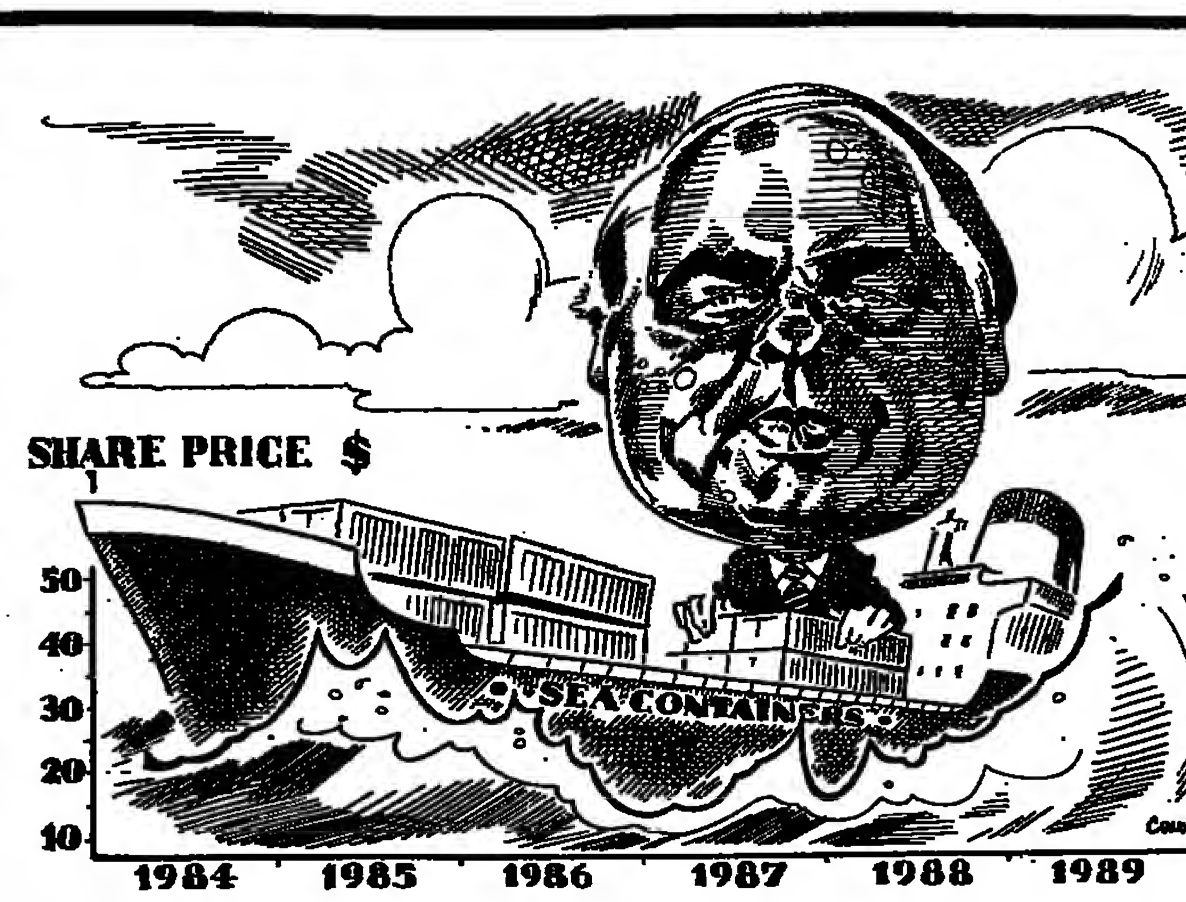
Mr Edelman was deemed by the Takeover Panel to have set off an offer period on March 31 when he said he was considering bidding for Storehouse.

The offer period has no fixed time limit, but Storehouse has been asking the Panel to set one.

Mr Julien said tough trading conditions were persisting which would adversely affect the results for the first half of the current financial year.

But he said provisions for all the foreseeable costs had now been made.

Lex, Page 22. Details, Page 32



Sherwood fights to contain a sea-change

Andrew Hill on the $824m bid for Sea Containers

MR JAMES Sherwood, multi-millionaire president and founder of Sea Containers, has a reputation for affability, as befits the man who bought the Orient Express train operation and several luxury hotels worldwide.

But he is no soft touch. He was once described by one of his competitors as "about as subtle as a boatload of bricks".

It is Mr Sherwood whom Stena, the private Swedish ferry group, and Tiphook, a British container rental company, want to embrace in a bearhug – the codename for their $824m cash bid for Sea Containers. If he doesn't submit, they suggest that his Bermuda-registered containers and ferry group will be crushed.

So far, Mr Sherwood has refused to be squeezed. He has until the beginning of the week after next to respond to the offer, and will probably wait until then. Meanwhile, in New York, Sea Containers' shares are trading at more than $56, against a bid price of $50.

Sea Containers' operations are as broad as its president is bulky, and a successful Anglo-Swedish bid would split the group into its component parts.

Tiphook would get the container rental business for its $426m share of the offer. Stena would provide $398m for the rest: Sealink British Ferries, Hoverspeed hovercrafts, 11 container-ships, seven British ports – including Newhaven, Folkestone and Harwich – and a 42 per cent stake in Orient-Express Hotels, which runs the luxury train.

The bid highlights the changing fortunes of the ferry and container industries, the one gearing up for competition with the Channel Tunnel, due to open in 1993; the other poised to take advantage of growing trade volumes and the liberalisation of the European markets after 1992.

It will also reawaken interest in the mercurial US-born Mr Sherwood, who founded Sea Containers in 1965, when he was 31. He became almost the first person to spot the potential for renting containers to the shipping and transport industries and was successful enough to take the company public three years later.

Since then the group has become the fourth largest in the worldwide market for standard 20 ft boxes, while Mr Sherwood has pursued an increasingly colourful career. His breadth of interests has led to a reputation for disconcerting switches of focus. One such was the purchase of Sealink from the Government five years ago, when Mr Sherwood was at the height of his prestige.

Some have blamed his lack of experience in running ferries – an accusation which may come to be of great importance in the current bid – for problems at Sealink since then. Most seriously, attempts to provide an Orient Express-style luxury ferry service to the Channel Islands faltered in 1986, with the resulting redundancies leading to a strike.

The problems coincided with a weak container leasing market and defaults by big clients, pushing Sea Containers' net earnings $50m into the red.

Mr Sherwood's star seemed to be fading, but he fought to restore the company's health, in the process coming to rely on the ferry operation as an equal or more important source of profits than the container business.

In March, the Bermuda company confirmed its recovery by unveiling net earnings up from $46.8m to $85.4m, after rationalisation and asset write-downs of $30m and property profits of $42m.

Mr Sherwood may recognise elements of his own career in that of Mr. Robert Montague, Tiphook's ebullient chairman. Mr Montague founded an international container rental operation in 1978 when he was 30 and has seen it grow to become a group with turnover of £67.7m ($106.2m), despite a 1985 flotation which left 85 per cent of the issue with the underwriters.

The acquisition of Sea Containers fits in with a recent trend towards amalgamation of leading competitors in the industry. It also offers Tiphook greater capacity and the opportunity to improve efficiency by tightening up management controls. It would put the UK group third in the world container rentals league.

However, the driving force behind the bid is Stena, which has been operating ferry services in the Baltic for more than 25 years. The privately-owned group also runs a fleet of tanker vessels, buys and sells car ferries and carries out contracts for the offshore oil industry. Having sold off 50 per cent of its ferry operation, Stena Line, last summer, the group made SKr196m ($29m) in 1987-88.

Two months ago, Stena revealed it had an 8.2 per cent stake in Sea Containers and pressed for talks about a joint venture with Sealink on the Channel routes. When Mr Sherwood rejected the approach – Sea Containers claims Stena's proposals were too vague – the Swedish company started to seek a partner for a possible bid.

But why choose this moment to launch an offer, when the Channel tunnel is under construction and cut-throat competition with P&O and other operators is almost certain on the routes between Calais and Boulogne and Dover and Folkestone?

Perhaps because there is a whiff of consolidation in the sea air between groups plying the Channel routes.

Despite a well-publicised *contretemps* last year, P&O's Sir Jeffrey Sterling and Mr Sherwood have been eager to persuade the UK's Office of Fair Trading to allow them to run a joint service in competition with the tunnel.

Meanwhile, Mr Dan Sten Olsson, Stena's chief executive, is looking to balance Stena's Scandinavian services. The company put the first plank of such a strategy in place this week when it bought a majority stake in Stoomvaart Maatschappij Zeeland, a Netherlands ferry company operating between the Hook of Holland and Harwich, one of Sealink's UK ports. The acquisition of Sealink would double Stena's fleet.

Both groups think adding value to cross-Channel services is the route to success in the battle with the tunnel and would try to instil a cruise-ship atmosphere into a Channel crossing.

Sea Containers has earmarked about $175m for investment in the Channel routes and its UK ports and harbours. But Stena is critical of the Sherwood strategy.

Some analysts have suggested that $70 a share would be a fairer value for Sea Containers; property and land assets alone are worth $20 a share, they say. But Stena claims their value has been exaggerated.

The key issue of price apart, the mechanics of a bid for Sea Containers look complex. Registered in Bermuda – which adheres broadly to British company law, but lacks the protection of the City's Takeover Code – Sea Containers co-ordinates its operations from a headquarters in London and most of its shares are owned in the US, where the bid has been launched.

Intricate legal actions are now under way in Bermuda, where Temple Holdings, the company set up to make the bid, is trying to outlaw Sea Containers' "poison pill" protection and prevent the group's subsidiaries buying more of its own shares.

With Mr Sherwood, his management and subsidiaries claiming to speak for some 25 per cent of the group's shares, Sea Containers is unlikely to fall quietly or quickly into the predators' embrace.

Cadbury defeated in attempt to increase borrowing limit

By Lisa Wood in London

CADBURY Schweppes was narrowly defeated yesterday by General Cinema, the diversified US group which holds a 17 per cent stake in the UK company, in its bid to increase its borrowing powers. But Cadbury said it would now be seeking alternative ways to raise its borrowing limits to £1.7bn ($2.7bn).

Cadbury needed the support of 75 per cent of votes cast in a poll after General Cinema objected to a special resolution – proposed at Cadbury's annual meeting earlier this month – to change its Articles of Association and to raise the debt limit.

In the poll, held on Wednesday, 71.2 per cent of the votes cast favoured Cadbury, with only General Cinema and other shareholders representing 0.06 per cent of the share capital voting against the resolution.

Cadbury, which has never communicated with General Cinema since the US group started building its stake in 1987, said yesterday that it would be seeking approval to raising its borrowing limits within its existing Articles of Association. Shareholder approval would be sought through an ordinary resolution which would require a simple majority to become effective.

General Cinema said it would have to see what the new proposal was before it could comment. However it continued to oppose any move that gave Cadbury *carte blanche* to increase its debt. It said it was curious to know why Cadbury had not originally sought approval under its existing Articles of Association.

Cadbury wants to increase its debt limit to £1.7bn, some 2.5 times adjusted shareholders' funds from the existing £700m – 1.5 times shareholders' funds.

Cadbury said that changing Articles of Association to increase borrowing levels was normally not controversial. It added: "In retrospect, if we had known there would have been contention we would have adopted a different strategy."

"We are convinced that the proposed change in the borrowing limits is necessary for the management and development of the business in the interests of shareholders. We believe, for example, that this year we will come to within £100m of the existing limit. There are other ways of funding the business but they are not as efficient."

Lex, Page 22

Anglo prospects 'great gold-field'

By Jim Jones in Johannesburg

ANGLO AMERICAN, South Africa's largest mining house, yesterday revealed it was prospecting a discovery which Mr Gavin Relly, its chairman, described as "a great gold-field".

At least two more years' drilling was needed to understand the geological structure of the Potchefstroom Gap area, about 100km west of Johannesburg, but in aggregate it contained a great deal of gold, said Mr Relly.

The ore in the area – which lies between the existing Klerksdorp and West Witswatersrand fields – was very deep and new shaft sinking and ventilation techniques would have to be developed, he added.

Mr Relly was announcing Anglo American's results for the year to March, which showed equity accounted net profits rising by almost half to R2.645bn ($961.8m) from R1.809bn.

Gold's contribution slipped fractionally to R391m from R392m, but this was offset by substantially higher revenues from diamonds, platinum, mining finance and industrial interests. The year's dividend has been lifted to R2.70 from R2.25.

Mr Relly warned that at the present subdued prices for gold it "might be prudent" to close some older shafts at Freegold and Vaal Reefs, the group's two largest mines. However, he said he expected the gold price eventually to readjust.

A fortnight ago the rival Rand Mines group said two of its mines faced closure without state financial help.

Mr Relly declined to discuss plans by Minorco, the group's Luxembourg offshoot, following its thwarted bid for Consolidated Gold Fields of the UK. He described this as "unsuitable" ahead of a Minorco board meeting to be held in two weeks which had been called to consider future strategy.

Companies within the Anglo group have stepped up their profit retentions in order to finance expansion projects and new ventures.

Among these, Highveld Steel & Vanadium is planning a large stainless steel development in partnership with the Samancor ferro-alloys group. Anglo American is itself evaluating a nickel mining venture in the eastern Transvaal which could feed the plant making stainless steel, a market which Mr Relly said had growth potential as Asia industrialised.

Mondi, a paper maker, was evaluating a doubling of its pulp and paper production, although this would depend on adequate availability of timber, Anglo said.

GEC-Alsthom rolls back the frontiers

The chief of Europe's newest heavy engineering conglomerate talks to Paul Betts

Mr Jean-Pierre Desgeorges has not waited for the closing of the deal at the end of this month merging GEC's power systems division with the French Alsthom heavy engineering group to launch his international strategy.

"My aim is to make this group a truly supranational company," he says. "Everybody must forget their origins; that they are French or English or that they are GEC or Alsthom. They will now all work for a new international company with FFr50bn ($7.4bn) of sales, half of which come from outside the new group's two home markets of France and Britain.

"We are internationalising all our activities immediately," says the head of Alsthom, puffing at the long Havana with which he is seldom without.

"We are already working closely with GEC. The newly-merged company will have its headquarters in Paris and will be organised like Alsthom with a series of transnational divisions chosen by products and markets. It will be a very decentralised structure," says Mr Desgeorges, who is set to become chairman of the newly-merged operation.

The 59-year-old industrialist cuts an atypical figure in French business. Like most other leading French industrial managers, he is a classic product of the French elite *grandes ecoles* system, graduating from Ecole Polytechnique and subsequently specialising in naval engineering. However, he combines the traditional French penchant for engineering and technical expertise with a pronounced marketing and sales sense, unusual in big industry in France.

After spending the first 10 years of his working life building frigates and submarines for the French naval arsenal of Lorient in Brittany, Mr Desgeorges joined Alsthom in 1962. His first task was to shut a factory in the Paris suburbs, testing right from the beginning his capabilities at industrial restructuring. He subsequently became chairman of Alsthom in 1981.

As such he soon became one of the main industrial barons of the CGE conglomerate, the company that controlled Alsthom, preserving his own managerial independence through a skilful cat-and-mouse game with the two previous chairmen, Mr Ambroise Roux and Mr Georges Pebereau, both of whom established CGE's reputation for intricate management.


Jean-Pierre Desgeorges: aims for a supranational group

At Alsthom, Mr Desgeorges provoked a cultural revolution by putting the emphasis on strong international marketing and ensuring Alsthom manufactured only what it could sell. A globetrotter, he spends one-third of the year travelling.

Mr Desgeorges was an early convert of the need for big alliances and mergers in heavy engineering. "I first contacted Lord Weinstock [head of GEC] in 1984. We were already ready to merge then but GEC was not. We also spoke to other European groups including *Siemens* and *Ansaldo of Italy*," he recalls. When Asea and Brown Boveri announced their merger, Mr Desgeorges claims he was not at all shocked.

"I knew that there would have to be alliances. My only fear at the time was that Brown Boveri was going to be sold to the Japanese. Moreover, the Swedish-Swiss deal showed to all my colleagues that I was right and that the industry could not avoid concentrations."

After the Asea-Brown Boveri merger, most people in France and inside Alsthom felt that the French group would eventually be married off with Siemens. "But the problem with the Germans is that it is not so simple. The British are more pragmatic and willing to accept a 50-50 deal. It is much more difficult for the Germans to accept this."

Before negotiating the merger with GEC's power system division, Mr Desgeorges also pulled off during the last few years a series of *smaller* European alliances and acquisitions to build up the critical size and market share of Alsthom's core businesses in the railway and power generating sectors.

To complement the deal with GEC, he is also completing new transatlantic alliances with General Electric of the US in the gas turbine field and with Combustion Engineering in the boiler sector.

"All these deals have now given us a sufficient size to compete. We are no longer actively looking for alliances, but I am still attentive for opportunities when they emerge." Mr Desgeorges adds that his priority was to ensure the successful and speedy integration of Alsthom and GEC's power systems division to form the biggest Franco-British industrial company employing 85,000 people.

"English people will be coming to France and Frenchmen will be going to the UK. We intend to become a really international group. And if the best man to do the job is Chinese, he will be Chinese."

Head of Magnet hits back over buyout bid

By David Waller

MR TOM DUXBURY, chairman of Magnet, yesterday responded to the barrage of criticism he has received from institutional shareholders over his £629m ($974m) buyout bid for the Yorkshire-based manufacturer and retailer of kitchen and bedroom furniture.

In a letter to shareholders, Mr Duxbury defended the principle behind the buyout proposal and outlined the practical steps he has taken to meet fund managers' objections to the terms of the offer to convertible shareholders.

"We believe that the managers of a public company should be free, like other parties, to bid for companies," he wrote, directly challenging the line of argument advanced last week by Sun Alliance, a leading City institution and a 2 per cent shareholder in Magnet.

Sun Alliance publicly voiced its fear that if the Magnet offer were successful, it would be the thin end of a dangerous wedge and contended that shareholders would be denied the opportunity to invest in sound, well-managed companies over the longer term. The *comments* helped tilt City sentiment against the bid.

Sun Alliance's remarks came at a sensitive time for the bid in that it had attracted near-70 per cent support from ordinary shareholders but only 37.9 per cent for the convertible offer. The financing for the transaction hinges on the level of acceptances being 90 per cent for each category of shares.

Yesterday's letter said that such a bid was appropriate as long as any potential conflicts of interest between shareholders and the buyout team were zealously guarded against. Mr Duxbury said shareholders should note that the bid was endorsed by Magnet's non-executive directors – and that at this stage, it was highly unlikely that a rival bidder would emerge.

On the subject of the convertible offer, Mr Duxbury said most of the original objections had been addressed by introducing a 90p a share cash alternative last week.

Swiss propose voluntary code on takeovers

A VOLUNTARY system of regulating takeovers was outlined in Switzerland yesterday. The system specifies the information to be contained in any bid and requires that offers be reviewed by a qualified auditor, AP-DJ reports.

The regulations, formulated by the Association of Swiss Stock Exchanges, will take effect from September 1, said Mr Georges Urban, president of the association.

The measures outlined by Mr Urban are also being reviewed by the Swiss legislature for possible inclusion in a proposed revision of Swiss company law.

The code is above all a series of rules that assures that a takeover offer contains sufficiently clear and complete information, Mr Urban said.

The following information must be included in any takeover offer:

- The identity of all parties making the offer, in order to determine if several parties are acting in concert.
- The minimum and maximum number of shares that are being sought.
- The number of shares of the takeover *target* that are currently held by *the party making* the offer, and a record of sales or purchases made of those shares during the preceding year.
- Description of how the takeover will be financed, as well as a certification by a qualified auditor that the financing proposal is viable.
- The specific period during which the takeover offer is valid.
- In the event a share exchange is involved in the takeover offer, the qualified auditor must provide valuation of the shares.

Mr Urban added that in order for shareholders to be able to accept or refuse a takeover offer in complete liberty, the code will also require that shareholders who initially refuse to sell their shares under the offer be allowed to change their minds up to two weeks after *the results* of the offer have been announced.

The code also obliges anyone who succeeds in acquiring more than half of a target company's shares to make an offer for the remaining shares.

In accordance with Swiss company laws as interpreted by the courts, the code also affirms the right of anyone holding more than 10 per cent of a company's shares, including a raider, to call a general meeting of shareholders.

Mr Urban said the Association of Swiss Stock Exchanges has already appointed six members of a seven-member committee to be called the Regulatory Commission, which will review compliance with the new code. He said the seventh member will be appointed shortly.

Although the new regulations on takeovers lack any enforcement measures, Mr Richard Meier, chief executive of the Zurich Stock Exchange, said they were a first step toward specifying takeover regulations, while deliberations on the topic take place in the Swiss legislature.

Bank merger terms due

By Alan Friedman in Milan

TRADING in the shares of Nuovo Banco Ambrosiano and Banca Cattolica del Veneto was suspended on Wednesday on the Milan bourse before an announcement today of the terms under which NBA is expected to absorb and integrate Cattolica.

The merger will catapult Ambrosiano from 15th to eighth biggest Italian bank in capital terms. NBA has as its biggest shareholder Gemina, the financial company that is controlled by Fiat.

NBA has L40,000bn ($30bn) of total assets, while Cattolica has L36,500bn. The two banks together will have 331 branches. Last year NBA made a net profit of L50bn, while Cattolica's 1988 net income totalled L74bn.

Cerus ahead as offer for Duménil-Leblé succeeds

By George Graham in Paris

CERUS, the French holding company of Mr Carlo De Benedetti, the Italian businessman, has reported net profits of FFr332m ($50m) for 1988 and announced success in its offer for Duménil-Leblé, the financial group.

The 1988 Cerus profit compares with earnings of FFr306m in 1987, but the company said that if it had retained the same method for writing off goodwill as in 1987 instead of switching to straight-line depreciation over 20 years, it would have *reported net profits of around* FFr400m.

The company said that its paper offer for Duménil had been a "total success," and that it had received acceptances giving it 93 per cent of the company's capital.

The bid had been delayed by the Commission des Operations de Bourse, which had been unhappy with the way Cerus had calculated the offer parity of 2.7 Cerus shares for 1 Duménil, up from an initial bid of 2.5 Cerus shares.

Duménil, which recently announced that its main banking subsidiary Banque Parisienne d'Investissement et d'Arbitrage had been renamed Banque Duménil-Leblé, has reported group profits of FFr408.3m for 1988, a gain of 48 per cent from last time.

Cerus announced that Mr Alain Minc, the *managing* director, had been named vice chairman, and had undertaken to remain with the group for another five years.

Mr Minc had recently been tipped as a candidate for one of the French state-owned companies.

Topdanmark plans share issue

By Hilary Barnes in Copenhagen

TOPDANMARK, the Danish insurance group, plans a share issue simultaneously with obtaining listings in London and Frankfurt as well as on the Swiss bourses.

The issue, scheduled for next week, will raise around $80m for Topdanmark, the third largest Danish insurer. "This is our bid to remain competitive in the EC's internal markets," chief executive Mr Henning Birk said yesterday.

The group increased net profits from DKr184m to DKr302m ($39.2m) last year. Operating profits (before investment income) increased *from DKr60m to DKr144m*. The return on shareholders' equity improved to 19 per cent.

During 1988 group assets increased from DKr7.5bn to DKr11.5bn. The group claims around 15 per cent of the Danish accident insurance market.

Some uncertainty has arisen over the Danish insurance sector following the announcement last week of government plans, as part of a wider tax reform, to increase the payroll tax for financial service companies and to disallow a company tax deduction for insurance company allocations to safety funds.

An analysis by Copenhagen Handelsbank estimated that the changes, if implemented, would increase Topdanmark's tax by DKr24m, while the increase in payroll tax could be met by an increase in premium charges of 2 to 4 per cent.

Top has staged a rapid recovery *after coming close to* collapse in the early 1980s when it was still a mutual group. In 1985, as the first European mutual to do so, it converted itself into a private limited company.

It also adopted a holding company structure, which enabled the group to diversify into other financial services, including banking, investment banking, real estate agencies and a travel agency. "If we are to obtain a satisfactory return on capital we must be able to offer services," said Mr Birk.

Growth in Europe is part of the group's strategy. It established a small company in the UK last year, Top-UK, based on direct marketing of accident, car and home contents insurance.

Mr Birk said that Topdanmark intends to increase its presence in the EC. It may seek to acquire financial service *companies as a prelude to* eventually generating insurance business.

He said that Topdanmark and other Danish insurance companies have more to gain than to fear from the removal of barriers to trade in financial services.

NOTICE TO HOLDERS OF

LORIMAR TELEPICTURES CORPORATION

6% Convertible Senior Subordinated Debentures

due August 18, 2001

Warner Communications Inc. ("WCI"), the parent corporation of Lorimar Telepictures Corporation ("Lorimar"), has entered into an Agreement and Plan of Merger dated as of March 3, 1989, as amended and restated as of May 19, 1989 (the "Merger Agreement"), with Time Incorporated ("Time") and TW Sub Inc., a wholly owned subsidiary of Time ("Sub"), pursuant to which Sub will be merged with and into WCI and WCI, as the surviving corporation, will become a subsidiary of Time (the "Merger"). In connection with the Merger, Time will change its name to "Time Warner Inc." ("Time Warner"). In the proposed Merger, each then outstanding share of Common Stock, par value $1 per share, of WCI ("WCI Share") will be converted into the right to receive 0.465 of a share of Common Stock, par value $1.00 per share, of Timer Warner, including the corresponding percentage of a right to purchase shares of Series A Participating preferred Stock, par value $1.00 per share, of Time Warner pursuant to a Rights Agreement dated April 29, 1986, as amended, between Time and Morgan Shareholders Services Trust Company, as Rights Agent (such Time Warner Common Stock and rights (to the extent then outstanding) collectively referred to as "Time Warner Shares"), with cash to be paid in lieu of fractional shares. As a result of the Merger, Lorimar will be an indirect subsidiary of Time Warner.

Lorimar's 6% convertible Senior Subordinated Debentures due August 18, 2001 (the "Debentures") were issued under an Indenture dated as of August 18, 1986, as amended by a First Supplemental Indenture dated as of January 11, 1989 (the "Indenture"), between Lorimar and The Chase Manhattan Bank, N.A., as Trustee, and currently are convertible into WCI Shares at a conversion price of $95.24 per share pursuant to the terms of such First Supplemental Indenture joined in by WCI. Upon consummation of the Merger, the Debentures will become convertible into Time Warner Shares in accordance with the terms of the Indenture.

Pursuant to Sections 105 and 1206 of the Indenture, you are hereby notified of the proposed Merger and of the intent to enter into a supplemental indenture which will provide that, effective as of the date of consummation of the Merger, the Debentures will be convertible into Time Warner Shares at an effective conversion price of $204.81 per share, subject to adjustment in certain instances, as provided in the Indenture.

Meetings of the stockholders of each of WCI and Time have been scheduled for June 23, 1989 to consider and vote upon the proposed Merger. It is expected that the Merger will become effective as soon as practicable following such stockholder approvals and satisfaction of all other conditions specified in the Merger Agreement.

Dated this 2nd day of June, 1989 at Culver City, California

INTERNATIONAL COMPANIES AND FINANCE

KLM joins Cecchi group in $3bn battle for NWA

By Anatole Kaletsky in New York

KLM, THE Dutch national airline, emerged yesterday as an unexpected participant in the $3bn-plus auction for NWA, the parent company of America's fifth-largest air carrier, Northwest Airlines.

KLM, which is 39 per cent owned by the Netherlands Government, announced it had joined a consortium put together by Mr Al Cecchi, a former travel industry executive based in Los Angeles, to bid for NWA against at least two other contenders - Pan American World Airways and a group led by Mr Marvin Davis, a West coast property and oil billionaire.

Although sources involved in the auction disclosed no financial details of KLM's proposals, the Dutch airline's participation seemed to establish the Cecchi group as the odds-on favourite in the bidding contest.

Not only would KLM be in a position to provide significant financing for the bid by Mr Cecchi; but more importantly, the possibility of linking up the operations of the two airlines into an extensive global network could enable Mr Cecchi to provide employment guarantees to NWA's unions while possibly offering more for the company than a non-airline bidder like Mr Davis.

Even before yesterday's announcement, Mr Cecchi, a former financial executive at the Marriott hotel group who had been running his own investment partnership for the past seven years, appeared to be the suitor with the greatest credibility on Wall Street, largely because he seemed to enjoy the support of NWA's managers and union leaders.

Shortly before this week's deadline for the submission of bids, Mr Steven Rothmeier, NWA's chairman, described Mr Cecchi's group as representing "friendly money."

By contrast, the NWA board has consistently opposed Mr Davis's advances. And two weeks ago Mr Rothmeier fell out with Pan Am's chairman, Mr Thomas Plaskett, when the latter refused to accept certain conditions for the conduct of the NWA auction.

Another factor initially giving the Cecchi group greater credibility was that its stake of 4.9 per cent in NWA was larger than the 2.8 per cent toehold disclosed by Mr Davis.

Pan Am has not said whether it owns any NWA shares at present.

However, before the announcement of KLM's involvement, Mr Cecchi's bid appeared to be labouring under two significant disadvantages.

Unlike the other two bidders, Mr Cecchi had not disclosed any details of his financing, and he had not been able to claim the operating synergies proclaimed by Pan Am.

While KLM's involvement in the Cecchi consortium would take care of both these problems, it might raise a new one - economic nationalism.

The US airline industry could put pressure on Washington to investigate even a partial link-up between NWA and KLM on anti-trust grounds.

Labatt buys Italian brewer

By John Wyles in Rome

THE LABATT Group, Canada's leading brewer, has made its first acquisition in continental Europe by taking a majority stake in Birra Moretti, owner of the Prinz Brau label and Italy's third largest beer producer.

The deal leaves the Moretti family holding around 30 per cent of the new Group Moretti-Labatt company and still retaining responsibility for its management and marketing.

Mr William Bourne, Labatt's senior manager in Italy, would not disclose the price of the acquisition. Labatt is investing in Italy, said Mr Bourne, because it was one of the few national markets where per capita beer consumption was rising.

Moretti's brands, with the exception of Prinz Brau, are all manufactured and marketed in northern Italy and the new company's development plan aimed for both national distribution and a doubling of production over the next five years to 2m hectolitres.

Mr Luigi Menazzi Moretti, president of the hitherto family company, said yesterday the company needed to increase in size in view of the expected sharpening of competition which will follow the opening up of the European Community's internal market.

Moretti-Prinz Brau employs around 330 people in five production plants with total sales of L113bn ($79m).

Until now Labatt's only presence in Europe has been in the UK market where it has production and distribution arrangements with local brewers for its Labatt Blue label.

MAI lowers offer for Prime

By Karen Zagor in New York

MAI Basic Four reduced its takeover bid for Prime Computer yesterday to $19.50 a share, worth about $950m, from $20 a share. Prime, which considered itself undervalued at $20 a share, said it had "serious reservations" about the revised offer.

MAI, a highly leveraged computer company that is about one-quarter the size of Prime, said that it had arranged commitments worth a total of $1.4bn from Merrill Lynch, Canadian Imperial Bank of Commerce, Drexel Burnham Lambert and Brooke Partners.

The new cash offer is for Prime's 49.5m outstanding shares, which amounts to about 75 per cent of the shares on a fully diluted basis. Any shares not acquired in the offer would be converted into the right to receive $21 - the face value of MBF securities.

Last month Prime disappointed Wall Street by lowering its 1989 operating income estimates by about 10 per cent.

The reduced bid is seen as a way of making Prime shareholders sell to avoid the prospect of being left with questionable MAI securities.

Prime says its takeover protection measures are still in place.

Matra to acquire Fairchild offshoots

By Paul Betts in Paris

MATRA, the French defence and electronics group, is launching a significant drive in the US market by acquiring, for between $180m and $200m, the defence electronics and space activities of Fairchild Industries.

Banner Industries, the US aerospace and aircraft fittings group, last month agreed to acquire Fairchild for about $400m, including debt refinancing. Matra will take over Fairchild's military and civil satellite business and avionics equipment activities when Banner completes its acquisition.

Fairchild is also involved in aerospace fasteners, communications services and industrial products.

Mr Jean-Luc Lagardere, Matra's chairman, also confirmed yesterday that the French group was pursuing talks with both Daimler-Benz of West Germany and General Electric Company of the UK in an attempt to forge closer links between the three European groups in their respective defence and space activities.

He said Matra also wanted to establish an "important presence in the US to encourage the widest possible co-operations between both sides of the Atlantic" while pressing ahead with its European strategy of alliances.

Fairchild is a supplier to the Pentagon and Matra said yesterday it hoped to intensify relations with Fairchild's existing clients.

In Europe, Mr Lagardere is seeking to strengthen Matra's existing shareholding ties with GEC and Daimler-Benz which already own a 5 per cent stake each in the French company.

Great-West adopts stricter regime

David Owen examines the innovative style of a Canadian life insurer

Winnipeg is an unlikely place in which to find Canada's third largest life insurer. The dour prairie city is better known for its grain trade and despicable climate than for its financial services expertise.

But this unfashionable home-base has played a crucial role in the development of Great-West Life - the insurer in question which has assets of more than C$17bn (US$14bn).

Without being somewhat insulated from the sector's conservative mainstream in Toronto and Montreal, the group would probably never have developed the innovative approach which has helped it to prosper.

As one observer explains: "Making it in the east Canadian market for people insurance has not been easy for a west Canadian company. As a result they have tended to take up what is new."

It was this philosophy that underlay the concerted post-war push into group insurance - at the time, very much a novelty - which has proved the single most propitious move in the company's 98-year history. Group insurance remains the backbone of Great-West's business. Of nearly C$140bn of life insurance in force at the end of 1988, C$96.1bn or 69 per cent was group policies.

The company, controlled since 1970 by Mr Paul Desmarais' Montreal-based Power organisation, is emerging from a brief period of reassessment which followed a sharp decline in annual earnings in 1987.

The dip, which was reversed in 1988, was attributable to a C$51.8m writedown of mortgage loans in the depressed property markets of Texas and Colorado. The company was further chastened by the failure of a bold attempt to spread the group concept into property and casualty insurance.

The thrust now, according to Mr Kevin Kavanagh, the energetic former salesman who has served as the company's president for more than a decade, is for Great-West to develop more of a "disciplined focus."

"You just cannot afford to be all things to all people and have adequate capital," he explains.

The sale of basic, commodity-type annuities is one activity which has been stepped down as a result. The company is turning instead to more flexible products which make the most of its skills in actuarial science, computer science and the investment of funds, Mr Kavanagh says.

One area where Great-West has increased its presence is that of US group health insurance. Late last year, the company bought part of Crown Life's troubled operations in the turbulent group health sphere.

According to Mr Kavanagh, however, Great-West will continue to conduct business on an administrative services only (ASO) basis, with the employer or other insured group absorbing the associated risk. This may eventually cause the company to relinquish much of Crown's fully-insured business. "We were given the privilege of offering renewal to each of their customers in a particular category," Mr Kavanagh explains. "Our business challenge will be to persuade those customers to go on an ASO basis."

One consequence of the trend towards specialisation in the industry is that insurers are forming strategic alliances to enable their sales agents to continue offering a full range of products.

In Canada, for example, Great-West manufactures disability income insurance products for as many as 11 of its peers.

In this context, Mr Kavanagh holds high hopes for a US joint venture with New England Life in 1988. Great-West is to manufacture group insurance products to be sold by New England agents in their local markets. "We will take most of the insurance risks and they will take the marketing risks", Mr Kavanagh says.

Now the company's thrust is to develop a more disciplined focus

The deal received much of the credit for Great-West's recent 33 per cent first-quarter earnings advance.

Over the past five years, the company has devoted much attention (and about C$100m) to computers. A key step was the distribution of centralised systems personnel into the various operating divisions in 1985. The move helped insurance and computer staff alike to become more conversant in each others' disciplines.

Already, in Mr Kavanagh's view, Great-West's computerised claims adjudication system has vastly improved the company's competitiveness in the cost-sensitive ASO sector. By the end of the summer, plans call for laptop computers to be distributed to 450 of the company's Canadian agents.

The company's much-vaunted capacity to innovate may be stretched to the limit this year, when the federal government in Ottawa introduces legislation detailing the extent to which banks, insurers and trust companies will be permitted to encroach on each others' turf.

Though Mr Gilles Loiselle, Minister of State for Finance, recently promised the new rules will not "allow banks to retail insurance", many believe the deregulation process will lead to the demise of the insurance agent - the industry's traditional but high-cost distribution medium.

Despite the undoubted economies which would accrue, Mr Kavanagh argues that there are compelling reasons why marketing insurance through bank or trust branches should not be allowed. "The possibilities for target-segmented marketing in a bank with privileged information are very considerable," he says. "But I don't know if you want to reduce costs on that basis."

He has fewer problems with the concept of cross-ownership, feeling "it might not be inappropriate" for a bank to own a life insurance company or vice versa.

Great-West's parent company, Power Financial, has other financial holdings including a controlling stake in Investors Group, Canada's largest mutual fund manager, and - until recently - Montreal Trustco, a leading trust company.

Investors' 2,000-strong sales force routinely markets term insurance on Great-West's behalf. There was, however, no cross-selling of Great-West products by Montreal Trustco prior to its recent sale.

CIBC raises second quarter profit by 41%

By Robert Gibbens in Montreal

CANADIAN Imperial Bank of Commerce, the country's second largest chartered bank, reported an advance of 41 per cent in earnings for the second quarter.

Loan loss provision was sharply lower and net interest income benefited from stable business conditions.

For the three months ended April 30, net profit was C$180m (US$148m), up C$52m from a year earlier. Earnings per share rose to 96 cents from 73 cents. Return on average assets was 0.76 per cent, up from 0.58 per cent, and return on equity 16.2 per cent, against 12.8 per cent.

Total loan loss provision was C$109m, down C$44m. About C$45m of Third World loans were sold, reducing net exposure to C$863m, or 26 per cent of common equity after provisions.

The bank's assets at April 30 exceeded C$98bn.

In the first half, earnings rose to C$382m or C$2.06, up 37 per cent from C$1.60 a year earlier. The bank is going ahead with a C$150m debenture issue in Canada.

Tokuyama Soda launches bid for General Ceramics

By Ian Rodger in Tokyo

TOKUYAMA SODA, the Japanese chemical group, has launched a new agreed $55m bid for General Ceramics, a US maker of materials for semiconductors.

The Japanese company withdrew its previous bid two months ago because of objections from within the US Government arising from General Ceramics' military contracts.

The new bid excludes General Ceramics' military division, although the offer price, equivalent to $18 per share, is unchanged. The military division makes ceramic parts for nuclear weapons.

Tokuyama said General Ceramics had submitted the new plan to the Committee on Foreign Investment in the US and it was approved last weekend.

The Japanese company, which is mainly a caustic soda and chlorine producer, seeks to expand in the electronics business through the acquisition of General Ceramics.

Notice to the Holders of

IRT Property Company

U.S. $25,000,000

2 per cent. Convertible Subordinated Debentures Due June 1, 2002

Pursuant to Section 13 (H) (iii) of Fiscal and Paying Agency Agreement (the "Agreement") between IRT Property Company and The Chase Manhattan Bank, N.A., dated June 1, 1987, notice is hereby given as follows:

On May 7, 1989, the Company's board of directors approved a 5 for 4 split of the Company's common stock to be distributed June 2, 1989 to shareholders of record May 18, 1989.

As a result of such issue and in accordance with Section 13(F)(i) of the Agreement, the Conversion Price at which Debentures may be converted into shares of common stock of the Company has been adjusted accordingly from U.S. $23.00 to U.S. $18.40.

By: The Chase Manhattan Bank, N.A. London, Fiscal Agent

June 2, 1989

General meeting of shareholders

N.V. MIJNMAATSCHAPPIJ CURAÇAO

at the same time

meeting of holders of certificates

TRUST MAATSCHAPPIJ CURAÇAO I B.V.

TRUST MAATSCHAPPIJ CURAÇAO II B.V.

in the Marriott Hotel, Stadhouderskade 21, Amsterdam, on June 27, 1989 at 10.30 a.m.

To be entitled to attend this meeting, holders of certificates are required to deposit their warrants of certificates by June 19, 1989, with Bank Mees & Hope NV, Amsterdam.

NOTICE

TO EXTENDED TERM DEBENTUREHOLDERS

K mart (Australia) Finance Limited

Extended Term Debentures due 2002

As required by the terms of the Arana Hills Properties Stock Trust Deed Section 2.07 please be advised that:

1. There has been no change in the number of properties under lease from Arana Hills Properties Pty Limited (Lessor) to Coles KMA Limited (Lessee).
2. There have beeen no material changes to the said Properties or the Lease Agreements.

The Stock Trustee in its sole judgement is of the opinion that no other information with respect to the properties and the Lease Agreement is useful to holders of the Extended Term Debentures at this time.

NatWest International Trust Corporation (Cayman) Limited
Stock Trustee of the Arana Hills
Properties Stock Trust

May 26, 1989

Tate & Lyle PLC

(Incorporated in England with limited liability)

U.S. $50,000,000

Floating Rate Notes 1996

We hereby inform you that for the six months 1st June, 1989 to 1st December, 1989 the Notes will carry an interest rate of 9.625 per cent per annum with a Coupon amount of U.S. $4,892.71 per U.S. $100,000 Note payable on 1st December, 1989.

Bankers Trust Company, London Agent Bank

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue / May, 1989
Concurrent Worldwide Offering

3,000,000 Shares

MC SHIPPING INC.

Common Stock
($.01 par value)

Price $15 Per Share

This portion of the offering was offered outside the United States by the undersigned.

750,000 Shares

Salomon Brothers International Limited

Banque Indosuez	CL—Alexanders Laing & Cruickshank	Cazenove & Co.
Daiwa Europe Limited		Lazard Brothers & Co., Limited
NM Rothschild & Sons Limited		Shearson Lehman Hutton International
Swiss Bank Corporation Investment Banking		Union Bank of Switzerland (Securities) Limited
Vereins- und Westbank Aktiengesellschaft		Yamaichi International (Europe) Limited

This portion of the offering was offered in the United States by the undersigned.

2,250,000 Shares

Salomon Brothers Inc

Alex. Brown & Sons Incorporated	Bear, Stearns & Co. Inc.	Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette Securities Corporation	Drexel Burnham Lambert Incorporated	Hambrecht & Quist Incorporated
Lazard Frères & Co.		Montgomery Securities
PaineWebber Incorporated		Prudential-Bache Capital Funding
Shearson Lehman Hutton Inc.		Smith Barney, Harris Upham & Co. Incorporated
Wertheim Schroder & Co. Incorporated		Dean Witter Reynolds Inc.

INTERNATIONAL COMPANIES AND FINANCE

Elders seeks to sell stock in joint venture

By Chris Sherwell in Sydney

ELDERS IXL is seeking to sell its A$500m (US$375.2m) worth of redeemable preference shares in Beswick, a special purpose joint venture with Broken Hill Proprietary (BHP).

The move will allow Elders, Australia's largest company in terms of revenue, to reduce its borrowings, estimated at close to A$5bn. However, it will not alter Beswick's shareholding structure. Beswick was formed by Elders and BHP - the country's biggest company measured by market capitalisation – last year, and holds a 28 per cent stake in BHP.

Analysts calculate that the proposed sale will realise around A$450m – less than face value, because the preference shares, which are not convertible, pay a dividend of only 8 per cent after tax and would probably be sold at a discount.

Elders said yesterday that the plan was part of a general review of its investments. But it follows a number of recent moves which are prompting fresh assessments of the brewing, agribusiness, resources and finance group.

● Beswick has also entered an agreement with Mitsubishi Corporation of Japan to sell it 8.3m BHP shares. Some 4.2m units have already been sold, after Beswick elected to receive shares instead of cash as a dividend from BHP. The balance will come from further allocations, and will leave Mitsubishi as a significant BHP shareholder.

● Goodman Fielder Wattie, the foods group, announced earlier this month that it would sell its interest in Petitio, a joint venture with the AFP investment group. Petitio holds 318m shares in Elders, and Goodman Fielder is expected to receive some A$290m in December 1990.

● Petitio's shares in Elders will be put up for sale to Elders shareholders at A$3 a share, above market price. The offer will be underwritten by Harlin, a company controlled by Mr John Elliott, Elders chairman, who holds 20 per cent, and his fellow directors, who have another 20 per cent.

● Elders' 23.6 per cent stake in AFP will be cancelled, cutting all ties between the two companies. Mr Peter Scanlon of AFP has also resigned from the Elders board.

The overall effect of these moves is to cancel one cross-holding between Elders and Goodman Fielder, and another between Elders and AFP. It will also give Mr Elliott the chance of full control of Elders, because Harlin will end up with more than 50 per cent of Elders if Elders shareholders do not take up the share offer.

Both Harlin and Beswick were created when BHP was restructured last year, to remove Mr Robert Holmes à Court from its share register.

Broking analysts said yesterday that Elders was not under pressure over its debt position because it enjoyed strong cash flows and earnings. But they added that Elders was preparing the ground for a possible acquisition once it had disposed of its stake in Scottish & Newcastle Breweries of the UK, which it failed to acquire this year.

● Goodman Fielder said yesterday that it had appointed Mr Michael Nugent, an Elders director, to its board to replace Mr Scanlon, Reuter adds.

Recasting a steel plant for profits

Wong Sulong visits the recovering Kemaman complex in Malaysia

A huge steel shaft, rising 300ft from the sandy beach at Kemaman on Malaysia's east coast in the state of Terengganu, is the main culprit responsible for the horrendous losses suffered by Perwaja, the Malaysian government-owned steel complex.

The shaft forms the heart of a US$600m hot briquetted iron (HBI) plant, built by a Japanese consortium to use a new direct reduction method developed by Nippon Steel.

The plant was completed in 1984, but has been unable to produce HBI to the required standard and capacity despite vigorous trials. "The HBI turns out half-baked, and totally unacceptable for making steel billets," says an official at the plant.

So bad was the situation that the Japanese had to abandon the plant and pay compensation to the Malaysian Government.

However, because HBI is not available, a US$400m smelt shop nearby has had to undergo extensive adjustments to allow it to use scrap to manufacture steel billets.

Perwaja was planned to be Malaysia's first fully integrated steel complex, to take advantage of the country's abundant natural gas, available off Terengganu, as feedstock. But the plant has incurred losses of around 700m ringgit ($257.2m) so far.

The worst is now thought to be over. A new management team, headed by Dato Eric Chia, a well-known industrialist in Malaysia, has succeeded in arresting the operating losses.

However, the Government will still have to write off at least another 500m ringgit in assets and a large portion of the 1.5bn ringgit worth of loans before Perwaja can start to be profitable.

The Japanese consortium gave notice last month that it would give up its 30 per cent stake in Perwaja to the Malaysian Government for a nominal sum of one ringgit. This paves the way for the final corporate restructuring, which is expected to be completed by the end of the year.

With the Japanese out, the Malaysian Ministry of Finance will hold 81 per cent of Perwaja's paid-up capital of 250m ringgit. The remainder is held by the Terengganu state Government, which says it is willing to inject fresh capital.

Dato Chia is confident, once the final restructuring is over, that Perwaja can successfully revive its original plan for an integrated steel facility.

This would involve a capital investment of around 700m to 800m ringgit to revive the HBI plant, expand capacity at the billet factory and build a hot roll mill to make steel wires and rods.

"But to get this money from the Government, we must prove to it that we can produce steel billets profitably even without the economy of HBI supply," says Dato Chia.

Since the new management took over a year ago, monthly production of steel billets has increased from 23,000 tonnes to a current 40,000 tonnes – 90 per cent of plant capacity. Perwaja hopes that, with adjustments, it will be producing 60,000 tonnes a month by the end of the year.

Dato Chia runs a tight ship. For the past year, he has been living in a 40ft converted container at the factory site. On visits to Kuala Lumpur, he spends time lobbying politicians for funds and support, and has met engineering contractors in Europe, the US and Japan to find the best way to revive the HBI plant.

Getting the 600,000 tonne a year HBI plant going again would probably cost between 250m and 400m ringgit, compared with 700m ringgit to build a new one.

To make steel billets, the Perwaja billet plant currently uses 90 per cent scrap iron (mainly from Britain and the US), and 10 per cent HBI, supplied by the HBI plant owned by Sabah Gas Industries in east Malaysia.

The billets produced are of low quality, suitable only for construction. To produce billets suitable for cars and aircraft, the plant has to use more HBI instead of scrap. Perwaja is negotiating with Sabah Gas for a long-term supply of HBI.

The Government is also considering merging the Sabah HBI plant and Perwaja as part of a larger rationalisation programme in the industry.

As it is, Dato Chia is confident that Perwaja will be able to make an operating profit of at least 100m ringgit for 1990.

That aim is helped by world steel prices, which have risen during the past year, while the Government recently approved a 20 per cent increase in the local price of billets to 890 ringgit a tonne. Perwaja's current production cost per tonne is 780 ringgit.

Drug groups enjoy expansion

By Ian Rodger in Tokyo

JAPAN'S leading pharmaceutical companies enjoyed growth in the year to March. Most of them were helped by introductions of new products.

Takeda Chemical Industries, the largest group, said that sales of its medicines used in treating senile dementia had been strong, helping the company to absorb increased research and development expenses.

Sales rose 8 per cent to Y585bn ($4.1bn) and pre-tax profits, up 2 per cent to Y74.0bn, are forecast to rise 3 per cent in the current year. This is despite the dissolution announced last week of a marketing arrangement for Bayer, the Swiss pharmaceutical company.

Daiichi Seiyaku said that increased sales of synthetic antifungals, antibiotics and other drugs contributed to a 19 per cent rise in pre-tax profits last year to Y43.0bn. Sales rose 13 per cent to Y166.7bn.

It expects current year pre-tax profits to increase by 2 per cent to Y44bn.

Eisai's sales rose 11 per cent to Y186.4bn and the company, which is building a new US research laboratory in Boston, expects its pre-tax profits to rise 1 per cent this year to Y31.5bn. Last year they were 15 per cent higher at Y31.2bn.

At Tanabe Seiyaku, a 10 per cent profit decline to Y21.9bn was attributed to the high cost of an issue of convertible bonds in February. Sales gained 7.8 per cent to Y196.7bn, with sales of medicines rising 10.8 per cent and sales of drugs for animals increasing by 11.9 per cent.

The figures have been adjusted to take account of the fact that the comparative period was only 11 months because of a change in the company's year-end.

Tanabe is paying a dividend of Y4.25 per share, which includes a Y0.5 special dividend, making Y8.5 for the year. For the current year, the company forecasts profits of Y23.1bn.

Sankyo attributed a 12 per cent rise in its profits, which reached Y30.8bn, to brisk sales of its antihypertensive drug Captoril and of its anti-inflammatory-analgesic drug Loxonin.

Sales rose 5 per cent to Y308.5bn. The company is forecasting a 2 per cent rise in pre-tax profits this year to Y31.6bn.

Shionogi said that a downward revision of drug price standards hurt earnings, particularly from sales of antibiotic drugs.

On sales up 5 per cent to Y216.1bn, pre-tax profits were 1 per cent higher at Y29.7bn. The group forecasts that profits will rise 3 per cent in the current year to Y30.5bn.

Fujisawa Pharmaceutical lifted sales 9 per cent to Y208.6bn and profits by the same proportion to Y20.1bn before tax. The company forecasts a 4 per cent rise in pre-tax profits this year to Y21bn.

Sales of Taisho Pharmaceutical rose 18 per cent to Y147.2bn. The company showed a 22 per cent gain in pre-tax profits to Y45.8bn but is expecting only a 1 per cent rise this year.

Orix profits fall despite rise in sales

By Ian Rodger

PRE-TAX profits of Orix, formerly Orient Leasing, were Y9.5bn ($66.5m) on revenues of Y276.8bn in an irregular six-month period to March. The company has changed its year-end to that date.

Orix, Japan's largest leasing company, said the figures reflected a gain of 14.3 per cent in sales but a drop of 6.6 per cent in pre-tax profits on an adjusted comparative period.

The number of leasing contracts for computers and other office automation equipment increased while revenues from instalment credit and loans to business corporations also improved. However, the company reported higher depreciation costs of Y127.5bn for leased assets, which depressed profit.

The company is paying a Y10 per share dividend for the six month period compared with a Y14.5 dividend in the previous full year.

Reduction in typhoons boosts Japanese insurers

By Stefan Wagstyl in Tokyo

JAPAN'S four largest non-life insurance companies made record profits in the year to March, thanks to an increase in policy sales and good weather, which limited the growth in claims.

The companies said there was an unusually low incidence of natural disasters such as typhoons last year. Strong domestic car sales raised sales of car insurance policies, and many motorists chose to buy more powerful and more expensive vehicles.

Sales of fire policies benefited from the increase in house building.

Tokio Marine & Fire, the largest company, kept ahead in the race to develop the fastest growing sector of the market – instalment-type premium insurance – ahead of Yasuda Marine and Fire.

JAPANESE NON-LIFE INSURERS
Parent company results, year to March (Ybn)

	Net premiums	Instalment premiums	After-tax profit
Tokio	834.8 (+10.1%)	582.9 (+48.8%)	44.0 (+22.5%)
Yasuda	622.2 (+10.1%)	494.9 (+34.7%)	16.4 (+14.3%)
Taisho	400.2 (+7.8%)	286.2 (+12.5%)	16.0 (+14.1%)
Sumitomo	338.8 (+9.5%)	253.3 (+25.2%)	14.1 (+15.8%)

First Pacific Bancshares in rights

FIRST PACIFIC Bancshares, a Bermuda holding company which replaced IBI Asia on the Hong Kong Stock Exchange, has proposed a HK$456m (US$58.5m) rights issue to repay a loan and help fund the acquisition of Far East Bank, AP-DJ reports from Hong Kong.

The 11-for-two offer of 16.27bn new shares will be made at 2.8 cents a share. First Pacific, which indirectly holds 48 per cent of the company, will take up its full share.

INTERNATIONAL CAPITAL MARKETS

Warm reception for IADB straight

By Andrew Freeman

NEW ISSUES came in abundance to the Eurobond market yesterday, although traders forecast a period of consolidation after a busy week of issuance. Significantly, there were no new straight-maturity dollar deals ahead of today's US employment data.

In Germany, the announcement by the Bundesbank that it would maintain its credit policy had a broadly neutral effect on bond markets. Traders said secondary foreign bond markets were quiet, but there was good new-issue activity.

Deutsche Bank was the lead manager of a DM300m 10-year deal for the Inter-American Development Bank, the first top-quality straight maturity deal since mid-April. The bonds came with a 7¼ per cent coupon and were priced at 100¼.

The bonds had a fine reception from institutional investors, and were quoted by the lead manager at less 1.30 bid. At that level, the yield was around 7.36 per cent, an attractive pick-up over recent bund issues which were yielding between 6.96 and 7.04 per cent.

Elsewhere, the Ecu sector was tapped by the Japan Highway Public Corporation via LTCB Europe. The Ecu150m seven-year deal came with a 9¼ per cent coupon and was launched at 101.65 to a keen reception.

The lead manager was quoting the bonds at less 1.80 bid, inside underwriting commissions of 1⅞ per cent. New-issue traders said the pricing was generous against recent new issues of similar quality, and most co-managers had little difficulty in selling their allocations.

"They could have sold this with a 9 per cent coupon," one dealer said.

There was good demand from a range of European and Middle Eastern institutions, although some central banks declined to buy the bonds in spite of the generous terms.

The proceeds were swapped into fixed-rate yen. It is understood that Crédit Lyonnais first conducted a swap into floating-rate US dollars to achieve around 35 basis points below Libor. The final funding rate for the borrower in yen was believed to have been around 4.6 per cent, well below the cost of funds in the Euro-yen sector.

There was some comment among syndicate managers on the significance of a quality Ecu deal by a Japanese government-guaranteed borrower. While there are pockets of demand for long-dated Ecu, there has been over-supply at the shorter end, leading to fears that any rush of deals will reverse the steady progress made by the sector this year.

The Japanese equity warrant sector remained characteristically active, with three deals launched to slightly subdued receptions. Yamaichi quoted the Yokohama Rubber issue at par bid, Nikon Corporation was trading at 100⅞ bid according to Nikko, while Toyo Construction was inside fees at 98¾ bid according to Nomura.

Merrill Lynch was the lead manager of a floating-rate note for the State Bank of Victoria. The 10-year deal offered a spread of 5 basis points over six-month Libor and came with a structure whereby the borrower faces a choice after five years.

The bank can either call the deal, or it can offer investors an option to extend the issue for a further five years to a 15-year deal.

The lead manager reported good institutional interest and quoted the bonds at 99.83 bid, comfortably inside underwriting commissions of 30 basis points.

Amro Bank brought a Fl 150m 10-year issue for Waterschapsbank, the Dutch city financing agency. The bonds carried a 7⅛ per cent coupon and were quoted by the lead manager at 100⅛ bid, inside underwriting commissions of 2 per cent.

In Switzerland, prices were firmer as volumes picked up. Investors were beginning to reappear as currency fears became less potent.

J.P. Morgan was the lead manager of the first straight public bond issue since the end of April, when the African Development Bank's SFr150m 12-year deal was launched, and the first deal for a US company since last November, when worries about event risk were raised by the RJR Nabisco buy-out.

General Motors Corporation tapped the market with a SFr120m 10-year issue which came with a 6⅛ per cent coupon. There was good institutional demand, and the bonds were quoted at less ⅛ bid by the lead manager, inside fees. Nevertheless, there was some comment that the terms were too tight and there were some declines.

● Three Japanese banks have provided letters of credit to RJR Nabisco on $402m of callable bond issues which will not now be subject to early redemption. The banks are Sumitomo Bank, which has guaranteed 50 per cent of the total amount, and Sanwa Bank and Dai-Ichi Kangyo Bank, which have guaranteed 25 per cent each.

This follows uncertainty over the fate of bond-holders after the buy-out of RJR Nabisco by Kohlberg Kravis Roberts. Swiss Bank and J.P. Morgan, lead managers of bond issues for Nabisco, had filed for assurance that the reorganisation of the company would not result in any losses for bond-holders.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 1

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Alberta 9⅜ 95	600	100⅛	100⅝	+0⅛	-0¼	9.27
Austria 9⅜ 93	140	†100⅝	101⅛	+0⅛	+0⅛	9.32
B.F.C.E. 7 92	150	†94	94½	+0¼	+0⅝	9.39
B.F.C.E. 9¼ 95	150	99½	100⅛	+0⅛	+0¼	9.28
Brit. Tel. Fin. 9⅜ 98	250	100⅜	100¾	0	0	9.28
BP America 9⅝ 99	250	102	102½	+0¼	-0⅛	9.37
Canada 9 96	1000	100¼	100¾	+0⅛	-0½	8.88
Canadian Pac 10⅜ 93	100	†101⅝	102¼	0	0	10.15
C.C.C.E 9¼ 95	300	99⅞	100⅜	+0¾	+0¼	9.20
C.N.C.A 9⅜ 93	150	†100¼	100⅝	+0⅜	+0⅛	6.26
Credit National 8¼ 93	200	†96¼	96⅝	+0⅛	+0¼	9.39
Credit National 7⅜ 92	100	94¾	95¼	+0⅛	+0⅛	9.41
Credit National 9½ 92	160	100⅞	101⅜	+0⅛	+0¼	9.08
Dai-Ichi Kan 9⅝ 92	150	100	100½	+0⅛	+0¼	9.50
Denmark 7⅜ 92	500	94	94½	+0⅛	+0¼	9.57
E.E.C. 7 91	100	94⅜	94⅞	-0⅛	-0⅛	9.47
E.E.C. 7¼ 93	250	†93½	94	+0¼	+0⅛	9.28
E.E.C. 10 93	140	*†101⅞	102¼	0	-0¼	9.35
E.I.B. 7⅝ 93	100	93⅞	94¼	+0⅛	+0⅜	9.28
E.I.B. 9⅜ 97	150	†100½	101	0	-0¼	9.23
Eurofima 10⅜ 93	100	*†102⅝	103	0	+0¼	9.21
Elec. De France 9 98	200	98½	99	+0¼	+0¼	9.20
Elec. De France 9½ 99	200	†101⅜	101⅞	+0¼	+0⅜	9.27
Finland 7⅞ 97	200	92½	93	0	+0⅜	9.22
Finn. Exp. Cd. 8⅛ 92	200	97⅜	97⅞	+0⅛	+0⅛	9.48
Finn. Exp. Cd 9⅜ 95	200	†99⅝	100⅛	0	0	9.35
Ford Motor Credit 8 91	250	†97	97½	+0⅛	+0¼	9.70
Gen Elec Cap. Corp. 9 93	500	†98¼	98¾	+0¼	+0⅛	9.40
Gen Elec Cap Crp 10 1/2 97	300	†101⅜	102¼	+0⅛	0	9.28
Gen. Mtrs Corp. 9⅛ 92	200	98⅜	99	0	-0¼	9.64
IBM Credit Corp. 8⅞ 91	250	98⅞	99⅜	0	+0¼	9.37
IBM Credit Corp. 9⅜ 92	250	100½	101	+0⅛	0	9.14
IBM Credit Corp. 10 92	200	†101⅞	102¼	0	+0⅛	9.18
Italy 9⅛ 95	1000	100⅝	101⅛	0	0	9.29
Italy 9⅜ 99	1000	†101¼	102¼	+0⅛	+0⅛	9.29
Japan Dev. Bank 10 96	200	103⅞	104¼	+0⅛	+0⅛	9.22
L.T.C.B. of Japan 9⅛ 92	200	†98½	99	0	-0⅛	9.46
Metropolis Tokyo 9⅞ 93	200	100⅝	101⅛	0	+0⅜	9.33
Nippon Tel & Tel. 9⅜ 98	250	100⅝	101⅛	+0⅛	+0⅛	9.22
Norway 8⅛ 93	500	98	98¼	0	0	9.34
Portugal 8⅛ 91	300	†97	97⅜	0	0	9.95
Prudential Crp. 8⅞ 94	125	98⅛	99⅛	0	-0⅛	9.85
State Bk S Aust 9⅛ 93	100	†99	99½	+0⅛	-0⅜	9.47
Sumitomo Bank 9⅝ 92	150	†99⅞	100⅜	+0⅛	+0⅛	9.54
Sweden 7 91	250	95	95¼	+0⅛	+0⅛	9.37
Sweden 8¼ 96	200	97⅞	98⅛	+0⅛	+0⅛	9.17
Sweden 8½ 92	200	†97⅛	97⅝	+0⅛	0	9.41
Toyota 9⅛ 91	200	99⅜	99¾	0	-0⅛	9.68
Victorian Rep 11⅝ 92	150	†104⅞	105⅜	+0⅛	0	9.51
World Bank 7 92	300	†94½	95	+0⅛	+0⅛	9.29
World Bank 9 97	300	98½	99	+0⅛	+0⅛	9.21
World Bank 9 93	300	†99½	100	+0⅛	+0⅛	9.06
World Bank 9¼ 98	300	100¼	100¾	+0⅛	+0⅛	9.17
World Bank 9½ 99	500	102⅝	103⅛	+0⅛	+0½	9.15
World Bank 9⅝ 96	300	†102⅝	102⅞	+0⅛	+0⅜	0.61

Average price change... On day +0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	94½	95	+0¼	-0¼	7.17
Austria 6¼ 99	750	†96⅞	97⅛	0	0	7.18
Bank of Tokyo 5¼ 93	100	94¾	95¼	-0¼	-0⅛	7.31
Commerzbank o/s. 5⅛ 93	300	94⅛	94⅞	0	0	7.14
Credit Foncier 6⅞ 99	500	†96¼	97	-0⅛	-0½	8.22
Degussa Int. 6⅛ 97	200	92½	93	0	+0⅜	7.34
E.I B 5½ 98	150	88⅞	89⅜	+0⅛	+0⅛	7.21
E.I B. 6¼ 99	600	93¼	93½	0	-0¼	7.22
E.I.B. 6⅛ 96	300	94¼	94¾	+0¼	+0⅜	7.14
E.I.B. 6½ 99	300	†95	95½	0	0	7.19
E.I.B. 6⅞ 95	300	99¼	99½	+0⅛	+0¼	6.99
Euro.Coal & Steel 5⅞ 97	175	92⅛	92⅝	+0⅛	+0⅜	7.19
Eurofima 6⅛ 96	100	94½	95	0	+0⅛	7.22
Elec De France 5¼ 97	300	91⅜	91⅞	+1½	+1¾	7.15
Forsmark Krtg. 5¼ 93	200	92⅞	93¼	+0⅛	-0⅛	7.32
Hydro-Quebec 6⅜ 99	300	†96⅜	97	+0⅛	0	7.20
Japan Dev. Bk. 5⅜ 95	300	†91	91½	-0¼	-0⅜	7.24
Japan Finance 5¼ 97	100	91½	92	0	-0⅛	7.17
Ireland 6½ 97	300	94	94½	+0⅛	-0¼	7.49
Malaysia 6¼ 94	150	95⅜	96¼	0	0	7.21
Nat. West BK. PLC 6 98	300	†91¼	91¾	0	-0¼	7.33
N.H.L. Finance 6¼ 95	200	†93¼	93¾	0	0	7.55
Nippon Telg. & Tel. 6 95	400	†95½	96	-0⅛	+0½	6.38
Oesters. Kontbk. 5 93	300	94½	95	-0¼	0	6.65
Portugal 5¼ 92	150	95⅛	96¼	0	-1⅜	7.19
Portugal 6⅝ 95	150	97½	98	-0¼	-0⅜	7.08
Privatbanken 5⅜ 93	150	92⅞	93⅜	0	0	7.41
Royal Insurance 5½ 92	300	95⅞	96⅜	+0¼	+0⅜	7.03
Soc Cent Nuclear 7¼ 95	150	99½	100	+0⅛	+0⅛	7.30
Turkey 6½ 95	500	†94	94½	+0⅛	+0½	7.74
Union Bk. Finland 5½ 94	200	†94	94½	0	0	6.98
Westlb. Finance 5 93	200	*†92½	93	0	0	7.27
World BK. 6¼ 97	600	94¾	95¼	+0¼	+0⅛	7.49

Average price change... On day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev.Bk. 5 96	150	†92½	93½	+0½	+1½	6.24
Asfinag 5 03	100	†90½	90¾	+0½	+0½	6.00
B.F C.E. 4½ 98	200	†89¼	90	+0⅜	+0⅝	5.97
B.M.W Fin.Neth. 5 13	150	†86½	87	+0½	0	6.06
Britannia B/S. 4¼ 94	100	†90¼	90½	+0¼	-0⅞	6.56
CIR. Int. W/W 3 93	125	†88	88¾	0	-3	6.35
Credit Lyonnais 4¼ 00	100	†85¾	86¼	+0⅞	+1¼	6.58
E I.B 4⅜ 98	150	†90	91	+0¼	+1¼	6.01
Fletcher Chall. 4⅞ 98	150	†88¼	89¼	0	0	6.59
Kobe City 4⅜ 98	150	†90	91	+0¼	+2	6.01
Leeds Perm. B/S. 4⅛ 93	200	†91¼	92½	+0¼	+0⅝	6.49
Malaysia 5¼ 98	100	†87	87¼	+0¼	+2	7.23
Maxwell Comm.Crp. 5 95	150	†84	84½	-0¼	+0⅝	8.43
Nat. Bk. Hungary 5½ 94	75	†94½	95	-0¼	+2	6.65
Nationwide Ang B/S. 4 93	200	†90½	91	+0¼	-0½	6.68
Nippon Telg.&Tel. 4¼ 95	200	†92½	93½	+1¼	+1⅛	5.61
Oesters. Ktbk. 5 03	75	†91	92	+1	-0¼	5.90
Prov. Newfoundland 5 03	150	†89⅞	91	+0⅜	+0⅜	6.01
Thailand 4⅝ 95	200	†90	92	0	-0½	6.45
World Bank 5 03	150	†90½	91	+1⅜	+3⅝	5.98

Average price change... On day +0½ on week +0⅝

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Canada 6⅛ 91	80	101¼	101½	0	+0⅛	5.25
Canada 5⅝ 93	80	101⅝	101⅞	0	+0¼	5.14
Eurofima 5 1995	20	98⅞	99⅛	-0¼	+0¼	5.17
E.I.B. 4⅞ 93	30	98⅝	98⅞	0	+0¼	5.24
Ireland 5⅛ 93	30	99¾	100¼	0	+0¼	5.12
Norway 5⅛ 95	50	100	100¼	0	+0⅜	5.10
Sweden 4⅝ 93	50	97⅞	98⅛	+0⅛	+0⅜	5.20
World Bank 5⅛ 98	10	98⅝	99⅛	0	+0⅝	5.27
World Bank 7 94	20	107⅝	108⅛	+0¼	+0¼	5.14

Average price change... On day +0 on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. BS. 10¼ 93 £	50	93⅛	93⅝	-0½	-1¼	12.56
Abbey Nat. 11⅜ 95 £	100	97	97½	-0⅜	-1⅛	12.29
Alg. Bk. Ned. 5½ 92 FL	150	94½	95	0	+0⅛	7.70
Alg. Bk. Ned. 5⅝ 93 FL	200	93⅞	94⅛	0	-0½	7.70
Austria 7½ 94 ECU	100	95	95½	+0⅛	-0⅜	8.74
Bk.Nova Scot. 14⅜ 90 A$	75	95	96	0	-0⅝	17.86
Barclays Aus. 13½ 91 A$	100	94¾	95¼	0	-0⅞	16.07
Belgium 8¼ 94 Ecu	150	97⅜	97⅞	0	-0¼	8.74
BP Capital 9¼ 93 £	100	92⅜	92⅞	-0½	-0⅞	12.24
British Airways 10 98 £	100	89¼	89¾	-1¼	-1⅞	11.98
Buhrmann-Tet. 6⅜ 93 FL	100	†94¼	94⅜	0	-2⅛	7.98
Comm. Bk. Aust. 12⅝ 93 A$	100	†92½	93	+0½	+0½	15.18
Coop. Ctr. Rabo. 6¼ 93 FL	100	96⅝	97⅛	0	0	7.24
Cr Local France 9¼ 92 Ecu	100	100⅞	101⅜	-0⅛	-0⅜	8.81
Deut. Bk. Aus. 13⅜ 93 A$	125	93¼	93⅝	-0¼	-1⅛	15.45
Deutsche Bk. Fin. 15 94 A$	100	101	101⅜	+0⅛	0	14.60
Eastman Kodak 13 90 A$	100	94¾	95¼	-0⅛	-0⅛	17.68
E.I.B. 7 96 LFr	100	†97⅝	98⅛	+0⅜	+0⅜	7.45
E.I.B. 9 99 Ecu	150	100¼	100⅝	+0⅛	-0⅛	8.94
Eurofima 7⅝ 94 Ecu	100	95¼	95¾	0	-0⅛	8.82
Export Dv. Crp. 8¼ 92 Ecu	100	99⅝	100⅛	0	0	8.79
Fed. Bus. Dv. Bk. 9⅜ 92 C$	75	†97	97½	0	+0¼	10.87
Fed. Bus. Dv. Bk. 10½ 93 C$	50	99⅛	99½	-0¼	+0¼	10.72
Ferrv. Stato 7¼ 93 Ecu	100	95⅞	96⅜	+0⅛	-0¼	8.94
Ford Cr. Can. 10⅜ 93 C$	100	†99	99½	0	+0¼	10.97
Ford Cred. Can. 10⅞ 96 C$	125	100⅝	101	+0⅛	+0⅜	10.72
Ford Mtr. Cred. 7⅞ 93 Ecu	100	96½	96⅝	0	-0⅜	9.05
G.M.A.C. 9⅞ 93 C$	150	†95⅞	96⅜	0	+0¼	11.01
Hydro-Quebec 11 99 C$	400	102½	102¾	+0⅛	+0⅜	10.54
Lloyds Bank 10¼ 98 £	150	90½	91	-1⅛	-1½	11.99
Lloyds Bank 11⅜ 98 £	100	94	94⅜	-1⅛	-1½	12.43
Montreal Tst. 10¼ 93 C$	100	†98½	99	0	+0¼	11.13
Morgan Guar. Tst. 11 91 C$	150	99¼	99¾	+0⅛	+0⅜	11.26
Nat. Aus. Bk. 14⅜ 94 A$	100	97⅝	98⅛	0	0	15.35
New Zealand 9½ 93 £	100	91¼	91¾	-0½	-0⅞	12.36
Philips Gloeil. 6 93 FL	300	93⅞	94⅛	0	-0¼	7.69
Privatbanken 7½ 94 LFr	500	†98¼	99¼	+0⅜	+0⅜	7.81
Royal Bk. Scot. 10⅝ 98 £	125	92½	93	-1¼	-1½	12.04
Saskatchewan 9⅞ 91 C$	150	†97	97½	0	+0¼	11.36
Saskatchewan 10¼ 93 C$	200	98¼	98¾	+0⅛	+0¼	10.65
State Bk. NSW. 13⅞ 93 A$	100	93⅝	94⅛	0	-1¼	15.79
Sweden 15 94 A$	100	100⅜	101	+0⅛	-0⅜	14.76
Toyota Mtr. Cr. 11⅜ 92 C$	150	101¼	101⅝	+0¼	-0⅛	10.81
World Bank 13⅜ 92 A$	100	97⅜	98⅜	-0⅜	-1⅜	14.16
Zentrspk. 13¼ 93 A$	75	†94⅜	94⅞	0	-0⅛	14.96

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.84	99.89	18/07	13.08
Bank of Greece 99 US	0¼	99.56	99.66	8/09	10.62
Belgium 91 US	0	100.19	100.29	19/08	9.38
Chelt. & Gloucester 94 £	.063	99.81	99.87	30/08	14.06
Credit Foncier 98 US	.063	100.28	100.38	20/10	10.16
Dresdner Finance 99 DM	.031	99.87	99.97	27/07	6.59
EEC 3 92 DM	0	100.42	100.52	20/08	5.63
Halifax BS 94 £	.1	99.83	99.87	6/08	12.97
Invt. In Industry 94 £	0¼	99.99	100.09	24/08	14.06
Leeds Perm. B/S. 94 £	0⅛	100.00	100.05	13/07	13.34
Midland Bank 01 £	.1	98.40	98.70	11/08	12.97
Milk Mkt. Brd. 5 93 £	0⅛	99.89	99.94	30/06	13.06
New Zealand 5 97 £	.07	99.95	100.06	22/08	13.19
State Bk. Nsw. 98 US	.188	100.38	100.48	11/08	9.87
Woolwich Equit. BS. 93 £	0⅛	99.98	100.03	13/07	13.37
Woolwich 5 95 £	0⅛	99.83	99.88	22/08	13¼

Average price change... On day +0.02 on week -0.06

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	114⅜	115⅜	-0⅛	10.00
Amer. Brands 7⅜ 02 US	9/87	56.7	121¼	122¼	0	1.89
Ashikaga Bank 2¼ 02 US	4/87	967.	126	127	-3	0.89
Asics 5 92 DM	12/83	472.7	264⅜	265¼	0	6.10
CBS. Inc. 5 02 US	4/87	200.	101⅜	102⅜	-0⅞	2.52
Primerica 5½ 02 US	4/87	66.75	67⅜	68⅜	+0¼	102.44
Eng.China Clay 6½ 03 £	9/88	4.8	102⅜	103⅜	-1⅛	4.21
Fujitsu 3 99 US	5/84	1106.	227	228	+5	1.76
Land Secs. 6¾ 02 £	6/87	6.72	94⅜	95⅜	-0⅛	12.94
Minolta Camera 2¼ 94 DM	2/88	1004.	116¼	117	-1⅛	5.15
MCA Inc 5½ 02 US	9/87	69.62	92⅛	93⅛	0	16.72
Mitsubishi Bk. 3½ 04 US	3/89	3266.	93⅜	94⅜	-0⅛	4.01
Mitsui Trust 2⅞ 01 US	10/86	1903.	120	121	-1⅛	3.44
Next Plc 5⅞ 03 £	11/87	4.3	98⅛	99⅛	-0⅛	200.77
Nishi Nipp.Bk 2⅞ 03 US	4/88	804.	109	110	-2	-2.83
Omron Tateisi 2⅞ 02 US	4/87	1318.	236¼	237¼	+7¼	2.54
Ranks Hovis 4½ 03 £	1/88	3.5	124	125	-0⅞	-1.86
Redland 7¼ 02 £	11/87	5.4	109	110	-0⅛	1.25
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	91¼	92¼	-0⅛	26.74
Sumitomo Bank 3¼ 04 US	2/89	4296.	86⅜	87⅜	-0⅛	16.92
Texas Inst. 2¾ 02 US	9/87	82.87	76¼	77¼	-0⅛	43.09
W.R. Grace 6½ 02 US	9/87	42.12	94⅜	95⅜	0	28.32

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Egypt's fund groups slow to reshape

By Tony Walker in Cairo

TIME IS running out for Egypt's Islamic investment companies to meet an August 8 deadline to restructure their activities according to a new law or, failing that, to liquidate their assets and repay depositors, the head of Egypt's capital markets authority has warned.

Dr Hassan Fag el-Nour said that the owners of companies in default would be liable to prosecution.

He added that only four companies, out of more than 30 that were obliged to submit to official scrutiny after last year's crackdown on the booming Islamic investment sector, had fully satisfied the Government's reporting requirements under the new law.

These four companies, which are understood to include three operated by the al Saad group and one by al Sharif, account for 64 per cent of depositors and 62.5 per cent of total deposits. These figures do not include al Rayan, the largest of the investment houses, which has been placed under government control and its principals jailed. The authorities are trying to retrieve al Rayan's reportedly substantial foreign holdings.

Among the so-called "Big Five" investment houses that have yet to comply fully with the new regulations are al Hoda Misr and Badr, which are still negotiating with the authorities in an effort to reach agreements that would allow them to remain in business.

Under a new law governing the activities of finance companies, they will be obliged to reconstitute themselves as public shareholding institutions subject to government scrutiny and control.

Minimum capital is E£5m ($2m) and companies must have no fewer than 20 large shareholders. Fifty per cent of shares must be offered to the public.

Al Saad is the only company to have announced that it is seeking public subscription. It is unclear, however, whether it has been successful in attracting public support.

Representatives of larger institutions seeking to comply with the new regulations say that while they may be able to find a minimum of 20 large shareholders for their enterprises, they are not confident that they will be able to attract public subscriptions.

Thousands of depositors, who have spent the past year worrying about the possible loss of their savings, are unlikely to want to risk their money again in newly constituted ventures.

As many as 1m Egyptians invested between an estimated $2bn and $4bn in the institutions. Losses could run into hundreds of millions of dollars.

INTERNATIONAL CAPITAL MARKETS

US Treasuries slip back in line with weaker dollar

By Janet Bush in New York, Andrew Freeman in London and George Graham in Paris

US TREASURY bonds slipped back yesterday morning, responding to a slightly lower dollar and the absence, as most expected, of any move by the US Federal Reserve to ease monetary policy.

GOVERNMENT BONDS

At midsession, bonds across the maturity spectrum were quoted around ⅛ point lower. The Treasury's benchmark long bond was quoted ⅛ point down for a yield of 8.6 per cent.

Prices had stood somewhat lower than this but began to recover as the dollar regained some earlier losses.

The dollar was quoted at about mid-range at DM1.9845 and Y142.60, failing to receive much of a boost from the decision at the policy-making council meeting of the West German Bundesbank to leave key official interest rates unchanged.

At the same time, there has been no evidence that the Fed has eased, a move which seems unlikely at this juncture given economic figures showing a modest rebound in growth in April. Policy makers and markets alike will be looking extremely closely at the first figures released for May, particularly today's employment release.

The consensus forecast for the non-farm payroll is for a rise of just over 200,000 to 225,000 in May following the small 117,000 gain in April.

The dollar's lack of positive reaction to unchanged interest rates in Germany, after speculation that the Bundesbank was about to raise them, suggests there is less pressure on Group of Seven central banks to use shifts in monetary policy to bring the dollar down.

With the dollar waning temporarily as a policy focus, the bond market will focus on economic data to see whether the economy's performance justifies the view of some in the Fed that it is slowing enough and that inflation is under control enough to justify a small easing of monetary policy.

Having surged to above 11 per cent yesterday, Fed funds returned to more normal levels between 9¾ per cent and 9⅞ per cent.

UK GOVERNMENT bonds were pressured at the long end of the maturity range amid continuing worries about the stability of sterling.

Although the overall tone of the market was calm, remarks by Mr Nigel Lawson, the UK Chancellor, failed to convince investors that the Government has a coherent exchange rate policy.

There was some switching activity as retail investors moved out of the long gilts into money market instruments. Prices on the cash market fell by around ½ point at the long end, sending yields well above the 10 per cent level.

One dealer said: "With the general recognition that inflation has yet to peak, and the uncertainty over the currency, it doesn't make much sense to stay in long gilts at the moment."

THE French Government sold FFr9.62bn of Treasury bonds at its regular monthly auction, shaking off an atmosphere of uncertainty over whether West Germany's Bundesbank would raise its interest rates.

The Treasury sold FFr4.14bn of its OAT 8.125 per cent 1999 bond, a 10-year fixed-rate bond, at a cut-off price of 95.25. The weighted average yield was 8.85 per cent, 3 basis points lower than at the last auction three weeks ago.

A further FFr4bn was sold of the OAT 8.25 per cent 2004, a 15-year fixed-rate bond, at a cut-off price of 93.95. The weighted average yield was 9 per cent, 12 basis points lower than when the bond was last auctioned in April.

The Treasury accepted only FFr1.47bn of the FFr9.15bn bid for the OAT TRB 1993, a floating-rate bond indexed on the result of the weekly three-month Treasury bill auction, at a cut-off price of 99.90. This gave a weighted average spread of 3 basis points above the auction, the same as at the auction of three weeks ago.

Meanwhile, trading opened yesterday on the OMF electronic market on the new BTAN futures contract based on four-year Treasury bills. OMF said spreads rapidly narrowed to 2 basis points. More than 1,000 contracts changed hands.

IN GERMANY, bond prices were a touch firmer early on, but lacked real direction at the morning fixing. Some 1997 maturities gained 20 pfennigs, while 1998/99 bunds were marked down by a similar amount. Turnover improved in the afternoon session, with prices rising by about 10 pfennigs.

The Bundesbank's decision to leave its credit policies unchanged had little impact on a generally quiet market.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-20	+4/32	11.39	11.28	11.04
		9.750	1/98	54-28	-12/32	10.67	10.38	10.30
		9.000	10/08	94-10	-20/32	9.65	9.36	9.30
US TREASURY *		9.125	5/99	103-10	-3/32	8.62	8.70	9.11
		8.875	2/19	102-24	-5/32	8.61	8.66	8.98
JAPAN	No 111	4.600	6/98	94.9329	-0.028	5.43	5.43	5.36
	No 2	5.700	3/07	105.2067	-	5.14	5.13	5.07
GERMANY		6.375	11/98	95.5000	-0.100	7.03	7.02	6.91
FRANCE	BTAN	8.000	1/94	96.4657	+0.127	8.94	8.98	8.85
	OAT	8.125	5/99	95.3300	+0.120	8.84	8.79	8.78
CANADA *		10.250	12/98	103.2500	+0.250	9.72	9.82	10.12
NETHERLANDS		6.7500	10/98	95.5000	+0.175	7.43	7.46	7.17
AUSTRALIA		12.000	7/99	90.1576	+0.325	13.81	13.80	13.30

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

IBCA study reveals divergence in ratings

By David Lascelles

MOODY'S is the most generous of the leading credit rating agencies when it comes to assessing banks outside the US, but it is tougher than the others on banks in the US.

A study by IBCA, the London-based bank rating agency, shows marked divergences between the ratings assigned to many banks by itself, Moody's and Standard & Poor's.

Using a formula based on the average rating for the largest banks in leading countries, IBCA says the three agencies only agree on Switzerland, where they all assign top ratings to the Big Three banks.

Elsewhere, the ratings vary, sometimes quite widely. In Sweden, for example, Moody's average rating is 1, while S&P's is 2.3 and IBCA's 3.

In Japan, Moody's average for the country's 12 top banks is 2.1, while both S&P and IBCA average 2.9. In the UK, Moody's average for the three of the Big Four banks which have received ratings – Barclays, Midland and National Westminster – is 1.7, against 2 for both S&P and IBCA.

However, in the US Moody's average rating for the top 11 banks is 6.1, lower than IBCA's 5.5 and S&P's 5.

IBCA says there are only six non-US banks to which all three agencies have assigned their top AAA rating: the Swiss Big Three, Deutsche Bank, NatWest and Barclays.

Hungarian reforms in limelight

Judy Dempsey on a cross-border deal with Austria's Girozentrale

The Hungarian authorities, already in the vanguard of economic reforms in the Eastern bloc, took a bold if not unusual step late last month by selling one of its biggest enterprises to a leading Austrian bank.

In what may be a foretaste of future trends, Girozentrale, Austria's second-largest bank, bought 49.65 per cent of Tungsram, the Hungarian light bulb group which has been remarkably successful in marketing its products in the West.

If everything goes according to plan, the enterprise will become the first East European institution to be listed on an international stock exchange.

Heading a consortium of 14 banks, Girozentrale bought from Magyar Hitel Bank, the Hungarian credit bank which is the majority shareholder in Tungsram, about 15m of its 30m shares for DM207m ($105m). Magyar Hitel will retain 43 per cent of the original shares while the remainder will be held by the Hungarian state.

However, the deal goes far beyond listing the shares on a European exchange.

Under the terms of the contract, Girozentrale and its banking consortium will be involved in restructuring Tungsram. Already there are plans to employ 12 Western managers, some of whom will be in top and middle management as well as the auditing sections.

As Mr Peter Foltin, a senior banker at Girozentrale, says: "The end result will be the transformation of Tungsram into a truly Western-style enterprise." He adds that the contract has opened up a new segment for the international financial markets. In the past, the Hungarians borrowed only through Eurobonds or Euroloans. "Our transaction creates the possibility of direct investments in a company in the East bloc."

Such ambitious goals involve challenges as well as risks.

For one thing, the Western bank consortium will have to introduce Western-style accounting into the Hungarian concern. This is crucial as, under OECD and stock exchange rules, any enterprise which intends to be listed on an international stock exchange must first produce three consecutive years of audited balance sheets, as well as three years of dividends.

At the moment, because of the way balance sheets are audited in Hungary, there is not a single Hungarian coupon which could qualify to be listed in the West.

Bankers from Girozentrale believe that with their team of experts they can turn the company around and make it correspond to these conditions by 1991.

Economically, however, Girozentrale will have few big problems with Tungsram.

Founded in 1896 and one of the country's biggest enterprises – it employs 30,000 people – it produced last year a healthy turnover of about 14bn to 15bn forints ($225m to $241m) while its cashflow totalled DM150m.

But what makes Tungsram even more attractive to Girozentrale is its international profile. The Hungarian concern has 13 subsidiaries scattered throughout the world, from the US to Japan. It also has two joint ventures in the West and holds a world market share of 6 per cent.

Hard-currency earnings make up between a third and half of its turnover.

However, without further capitalisation, Tungsram would not have acquired the necessary cash for much-needed investments. That is where Girozentrale comes in.

By restructuring the company through buying into it, the bank hopes to make it a highly attractive, if not lucrative, business for investors by the time it is ready to be listed on the Vienna bourse in 1992.

However, sceptics will point out that since the forint is not convertible, foreigners will run shy of investing in this enterprise.

But the Viennese bank is anxious to allay fears. "The lack of convertibility should not put off the investor," say officials, adding that recent Hungarian reforms have taken into account the requirements of Western investors.

Indeed, Hungarian economists point out that if reforms are to succeed, they will require substantial investments from Western firms in order to modernise both a rapidly ageing infrastructure and to replace obsolescent machinery.

Above all, the reforms will require Western managerial "know-how." Hence the urgent need by the Hungarian authorities to create incentives for the potential Western investor.

The recently enacted Hungarian companies law seems to go some way towards meeting some of these needs.

Under the terms of the legislation, foreigners will be allowed to buy registered shares for hard currency. They will not, however, be allowed to buy bearer shares – the Hungarian authorities are reluctant to relinquish complete control over their industry.

In addition, those companies which have foreign shareholders will be required to pay the dividend in hard currency. Hungarians, who can buy registered shares and who will be able to buy Tungsram's shares after 1991, will be paid in the local currency.

These terms fit neatly into Girozentrale's plans for Tungsram. But their own contract, since it is the first of its kind, also provides it with some safety nets. If, for instance, the changes in auditing procedures are not met, Magyar Hitel would be obliged to buy back – for hard currency – Girozentrale's shares.

In addition, Girozentrale, through its managerial influence over the company, will be able to exercise considerable clout over production lines and marketing.

Moreover, Mr Foltin and others believe – although it is early days – that more Western financial institutions will be taking a closer interest in buying East bloc paper.

"It is a test case, the first of its kind. All the more reason why we really want to make it work," his colleagues say.

OM seeks clearance to set up London subsidiary

OM, THE expansionist Swedish electronic options and futures exchange, has applied to the British authorities for permission to set up a subsidiary in London, a move which could cause some unease among established UK futures and options exchanges, writes Katharine Campbell.

OM plans initially to start trading options and futures on Swedish stocks this autumn. It will attempt to recapture some of its core business, a good proportion of which was lost when a 1 per cent domestic turnover tax was introduced at the beginning of the year.

Mr Olof Stenhammar, president, said there were plans for listing four or five stock options and the future on the OMX index.

A sizable chunk of equities trading has migrated from Sweden so that more than half the total trading volume in key Swedish stocks now emanates from London. The rival Swedish Options and Futures Exchange (Sofex) was forced to stop trading as a result.

What worries the London exchanges, however, is that OM may have designs on launching competing UK products in their back yard. OM's strategy in the rest of Europe – where it has operations in three countries and has plans, in varying stages of development, for four more – has been to set up, typically in partnership with leading banks or institutions, to cater for the local market.

But Mr Stenhammar insisted: "We have a different starting point in the UK. In France and elsewhere we are catering to local need, whereas in this case we are meeting Swedish needs."

However, he does not rule out other products later.

Several exchanges, including the London International Financial Futures Exchange, have been approached by the Office of Fair Trading for their comments on the proposal – one stage in the process before the Department of Trade and Industry can confer the necessary investment exchange status on OM's London offshoot.

The OFT will assess any competitive consequences of granting the application. Its report will be one element in the DTI decision, which will also take into account aspects of investor protection.

The structure of OM, which is privately held, is sometimes criticised as the company itself acts as quasi-broker, which could be regarded as a conflict of interest in a body which is also responsible for running the market and clearing contracts.

There is also a tendency for a two-tier pricing structure to develop. Whereas small orders are executed automatically, block trades are executed over the telephone, often leading to finer pricing in the latter case.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday June 1 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed May 31 Index No.	Tue May 30 Index No.	Fri May 26 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (205)	953.36	-0.7	10.71	4.07	11.51	12.70	960.52	969.70	981.29	764.15
2 Building Materials (29)	1187.70	-1.5	11.97	4.30	10.32	17.91	1205.62	1223.89	1249.97	991.91
3 Contracting, Construction (37)	1670.87	-0.3	13.76	4.20	9.53	29.32	1675.82	1689.83	1704.00	1569.04
4 Electricals (9)	2772.30	-0.5	8.91	4.13	13.85	49.45	2787.14	2885.84	2841.96	2059.69
5 Electronics (30)	2212.54	-0.6	8.64	3.87	15.03	14.70	2226.79	2240.75	2265.25	1611.35
6 Mechanical Engineering (54)	516.84	-0.9	10.01	4.01	12.29	7.62	521.49	526.00	530.25	390.15
8 Metals and Metal Forming (7)	543.46	-0.1	14.57	5.45	7.76	1.84	544.03	547.03	550.09	466.15
9 Motors (17)	321.29	-0.3	11.63	4.73	10.07	6.69	322.34	324.67	328.78	271.74
10 Other Industrial Materials (22)	1560.48	-0.6	9.65	4.35	12.39	25.11	1569.69	1589.60	1606.24	1279.31
21 CONSUMER GROUP (187)	1198.63	-0.6	9.20	3.71	13.60	13.82	1205.90	1213.79	1219.35	1073.89
22 Brewers and Distillers (22)	1294.57	-0.3	10.49	3.73	11.98	16.42	1298.74	1296.94	1310.71	1116.60
25 Food Manufacturing (20)	1052.46	-0.6	9.73	3.93	12.88	14.86	1059.01	1061.60	1065.66	953.33
26 Food Retailing (15)	2210.41	-0.5	8.91	3.35	14.77	17.33	2221.00	2223.54	2224.63	1956.77
27 Health and Household (14)	2213.85	-0.4	6.70	2.68	16.94	14.41	2223.30	2250.33	2250.95	1817.42
29 Leisure (33)	1646.67	-1.0	7.51	3.32	16.73	21.13	1663.46	1663.57	1671.40	1330.91
31 Packaging & Paper (15)	567.69	-0.9	10.18	4.28	12.42	7.10	572.85	579.89	578.43	487.71
32 Publishing & Printing (19)	3508.73	-0.2	9.34	4.57	13.44	44.70	3515.90	3531.20	3540.61	3379.46
34 Stores (34)	786.46	-0.9	11.33	4.53	11.57	11.48	793.84	809.71	817.29	811.21
35 Textiles (15)	535.84	-1.1	11.18	5.37	10.78	6.92	541.64	546.18	548.11	534.74
40 OTHER GROUPS (94)	1091.85	-0.7	10.32	4.26	11.80	10.43	1099.22	1108.48	1105.83	870.07
41 Agencies (18)	2397.33	-0.5	6.76	2.35	18.45	14.91	2404.34	2424.93	2406.41	2143.86
42 Chemicals (22)	1259.38	-0.1	11.29	4.69	10.46	26.31	1260.99	1269.70	1264.99	1005.37
43 Conglomerates (12)	1568.96	-0.6	10.73	5.11	10.96	9.84	1578.83	1600.59	1600.94	1168.00
45 Transport (13)	2436.34	-1.2	8.48	3.61	15.34	22.16	2466.12	2509.08	2487.72	1910.45
47 Telephone Networks (2)	1086.44	-1.6	11.28	4.52	11.53	0.00	1103.81	1106.45	1114.26	932.65
48 Miscellaneous (27)	1523.80	+0.3	10.44	3.90	10.87	22.24	1518.55	1524.39	1512.07	1155.86
49 INDUSTRIAL GROUP (486)	1126.43	-0.7	9.94	3.97	12.43	12.92	1133.94	1142.92	1148.27	948.11
51 Oil & Gas (14)	2021.46	-0.1	10.29	5.49	12.92	51.08	2023.18	2028.10	2023.88	1820.24
59 500 SHARE INDEX (500)	1202.43	-0.6	9.99	4.16	12.49	16.01	1209.54	1218.27	1222.91	1021.83
61 FINANCIAL GROUP (123)	725.70	-0.1	-	5.33	-	15.68	726.56	732.29	738.60	689.10
62 Banks (8)	718.75	+0.3	24.83	6.66	5.29	21.71	716.37	720.31	729.38	664.63
65 Insurance (Life) (8)	1032.31	+0.6	-	5.78	-	29.86	1026.64	1041.27	1053.91	969.82
66 Insurance (Composite) (7)	570.80	-0.4	-	6.01	-	16.75	572.84	577.82	583.74	529.04
67 Insurance (Brokers) (7)	990.30	......	7.89	6.32	17.01	27.06	990.56	1003.25	994.57	958.75
68 Merchant Banks (11)	333.57	-0.1	-	4.52	-	3.70	333.98	332.14	331.28	347.69
69 Property (52)	1285.84	-0.8	6.30	2.89	20.21	6.98	1296.29	1309.15	1317.31	1222.44
70 Other Financial (30)	364.09	-0.3	10.72	5.78	11.82	5.93	365.10	367.25	368.97	380.45
71 Investment Trusts (71)	1145.48	-0.1	-	2.85	-	11.90	1146.99	1152.57	1152.63	873.18
81 Mining Finance (2)	610.01	-0.2	10.17	4.17	10.95	10.45	611.27	615.15	617.49	511.67
91 Overseas Traders (8)	1338.35	-0.7	11.28	5.54	10.09	34.12	1348.23	1363.76	1371.55	1119.21
99 ALL-SHARE INDEX (704)	1085.59	-0.5	-	4.30	-	15.85	1091.06	1098.99	1103.81	934.42

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 31	May 30	May 26	May 25	May 24	Year ago
FT-SE 100 SHARE INDEX‡	2103.4	-11.0	2123.1	2094.3	2114.4	2130.0	2140.3	2136.6	2132.7	1810.3

FIXED INTEREST

PRICE INDICES	Thu June 1	Day's change %	Wed May 31	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	117.67	+0.08	117.58	-	4.41
2 5-15 years	131.50	-0.36	131.97	-	4.62
3 Over 15 years	141.14	-0.56	141.93	-	5.92
4 Irredeemables	162.88	-0.60	164.09	0.24	6.34
5 All stocks	129.56	-0.25	129.89	0.00	4.76
Index-Linked					
6 5 years	134.28	-0.03	134.32	-	1.36
7 Over 5 years	132.29	-0.17	132.51	-	1.28
8 All stocks	132.33	-0.16	132.53	-	1.27
9 Debentures & Loans	113.32	-1.43	114.96	-	4.66
10 Preference	88.08	-0.08	88.15	-	3.04

AVERAGE GROSS REDEMPTION YIELDS		Thu June 1	Wed May 31	Year ago (approx.)
British Government				
1 Low	5 years	9.88	9.84	8.91
2 Coupons	15 years	9.53	9.45	9.25
3	25 years	9.36	9.30	9.06
4 Medium	5 years	11.05	11.05	9.38
5 Coupons	15 years	10.04	9.95	9.45
6	25 years	9.59	9.51	9.26
7 High	5 years	11.13	11.13	9.46
8 Coupons	15 years	10.25	10.15	9.59
9	25 years	9.78	9.66	9.32
10 Irredeemables†		9.37	9.31	9.10
Index-Linked				
11 Inflation rate 5%	5yrs.	3.95	3.93	2.79
12 Inflation rate 5%	Over 5 yrs.	3.77	3.76	3.86
13 Inflation rate 10%	5yrs.	3.19	3.18	1.82
14 Inflation rate 10%	Over 5 yrs.	3.60	3.59	3.70
15 Debs &	5 years	12.07	11.77	10.24
16 Loans	15 years	11.70	11.45	10.69
17	25 years	11.33	11.14	10.73
18 Preference†		10.21	10.20	9.64

‡Opening index 2119.9; 10 am 2118.6; 11 am 2105.8; Noon 2095.1; 1 pm 2097.9; 2 pm 2099.0; 3 pm 2100.8; 3.30 pm 2103.1; 4 pm 2101.6
(a) 9.32am (b) 12.02pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
CONSTITUENT CHANGE: Schroder Global Trust (71) has been deleted. NAME CHANGE: Laporte Industries is now Laporte (43).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	23	74	9
Corporations, Dominion and Foreign Bonds	0	12	30
Industrials	259	554	762
Financial and Properties	90	192	374
Oils	22	31	45
Plantations	3	1	8
Mines	20	48	109
Others	77	69	112
Totals	494	981	1,449

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§100	F.P.	-	106	100	Abtrust New Dawn Inv. Tst.	101	-1	-	-	-	-
-	F.P.	-	60	50	Do Warrants	56	+1	-	-	-	-
§100	F.P.	-	126	108	Beazmore Intl. 10p	123		₺5.2	1.9	5.6	11.0
[illegible]	F.P.	-	6500	6100	CMB Packaging SA FFr15	6500		W-	-	-	15.5
[illegible]	F.P.	-	6100	5550	Do (¼ '89 Div Reg) FFr15	5800		-	-	-	-
§100	F.P.	-	145	113	Capita Group	138		₺2.5	2.2	2.4	20.7
180	F.P.	-	206	190	Community Hosp. Grp £1	201	-2	R4.5	1.4	3.0	18.4
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
9	6	8/9	9½pm	7½pm	Bear Brand	8¾pm	
‡r175	Nil	-	11½pm	7½pm	CLF Yeoman	10½pm	+3
260	Nil	7/6	53pm	33pm	Concentric 10p	53pm	+5
40	Nil	-	23pm	18pm	Fairway (London)	19pm	-1
265	Nil	-	50pm	43pm	Gold Greenlees Trott	46pm	
40	Nil	-	7pm	4pm	March Grp.	6pm	-1
17	Nil	7/6	1½pm	½pm	Resort Hotels	1pm	
60	Nil	5/7	10½pm	6pm	Senior Engineering	6pm	-1
5	F.P.	23/6	7	6	Stats Hldgs. 5p	6	
195	Nil	6/6	36pm	30pm	Tellos Hldgs. 20p	31pm	
200	Nil	-	44pm	26pm	Vibroplant	29pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other official estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ◊ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ‡‡ Reintroduction. ◊ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ◊ Unlisted securities market. ◊ Official London listing. □ Including warrants entitlement. ° Third Market.

TRADITIONAL OPTIONS

- First Dealings May 30
- Last Dealings Jun 9
- Last Declarations Aug 31
- For settlement Sep 11

For rate indications see end of London Share Service

Calls in Control Sec, Blacks Leis, Stormgard, Dixons, RegentCrest, Cowie T, Bulgins AF, Eurotunnel Wrnts, TR Energy.

LONDON TRADED OPTIONS

BRITISH STEEL topped the individual stock options table yesterday on the London Traded Options Market, as overall business in the market was boosted to 39,446 contracts by dealings of 8,449 contracts in the FT-SE 100 Index.

Turnover in the underlying market reached the relatively high level of over 500m shares, as options dealers reported resistance to a fall below 2,100 in the index, which ended 11 points down on balance at 2,103.4, having touched a day's high of 2,123.4 early on, and a low of 2,094.8 around mid-day.

Overall options business was divided between 22,295 call contracts and 17,151 put. Trading in the index again accounted for over 20 per cent of the total market turnover, and was made up of 2,845 calls and 5,604 puts.

The turnover in British Steel came to 3,058 contracts, consisting of 1,968 calls and 1,090 puts, as the underlying price of the share rose 1p, against the general market trend, to 89p.

Buying of calls and selling of puts was seen, ahead of the mid-June ex-dividend date, but there was also some closing buying of the puts, at 2p a share, along with attempts to sell calls in series holding levels above the underlying share price. Inter-market maker business also caught the eye.

Trusthouse Forte was the only other stock to attract more than 2,000 contracts, with 1,180 calls and 865 puts, making a total of 2,045. There were 857 contracts handled in the June 330 calls and 500 in the September 280 puts, as the underlying price of the share fell 6p to 325p. BP saw 1,669, made up of 1,410 calls and 259 puts, with the October 280 calls finding 915 contracts.

Storehouse, Grand Metropolitan, Hanson, Pilkington and GEC stole what other honours there were.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons	[illegible]						
Brit. Airways	[illegible]						
Boots	[illegible]						
B.P.	[illegible]						
British Steel	[illegible]						
Bass	[illegible]						
Cable & Wire	[illegible]						
Cons. Gold	[illegible]						
Courtaulds	[illegible]						
G.K.N.	[illegible]						
Grand Met.	[illegible]						
I.C.I.	[illegible]						
Jaguar	[illegible]						
Kingfisher	[illegible]						
Ladbroke	[illegible]						
Land Secur	[illegible]						
M & S	[illegible]						
STC	[illegible]						
Sainsbury	[illegible]						
Shell Trans.	[illegible]						
Storehouse	[illegible]						
Trafalgar	[illegible]						
Unilever	[illegible]						
Ultramar	[illegible]						
Brit Aero	[illegible]						
BAA	[illegible]						
BAT Inds	[illegible]						
BTR	[illegible]						
Brit. Telecom	[illegible]						
Cadbury Sch	[illegible]						
Guinness	[illegible]						
GEC	[illegible]						
Hanson	[illegible]						
LASMO	[illegible]						
P. & O.	[illegible]						
Pilkington	[illegible]						
Plessey	[illegible]						
Prudential	[illegible]						
Racal	[illegible]						
R.T.Z.	[illegible]						

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Scot. & New	[illegible]						
Tesco	[illegible]						
ASDA Grp.	[illegible]						
Gateway	[illegible]						
Amstrad	[illegible]						
Barclays	[illegible]						
Blue Circle	[illegible]						
British Gas	[illegible]						
Dixons	[illegible]						
Glaxo	[illegible]						
Hawker Sidd.	[illegible]						
Hillsdown	[illegible]						
Lonrho	[illegible]						
Midland Bk	[illegible]						
R. Royce	[illegible]						
Sears	[illegible]						
TSB	[illegible]						
Vaal Reefs	[illegible]						
Wellcome	[illegible]						
FT-SE INDEX	[illegible]						

June 1 Total Contracts 39,446. Calls 22,295 Puts 17,151
FT-SE Index Calls 2845 Puts 5604
*Underlying security price.

UK COMPANY NEWS

MEPC exceeds forecasts with 32% rise to £64.4m

By Paul Cheeseright, Property Correspondent

MEPC, the second largest British property investment and development group, yesterday announced larger-than-expected interim profits and a significantly increased dividend.

Pre-tax profits for the six months to March 31 were £64.4m — 32 per cent higher than the £48.7m of the 1987-88 first half and up to £4m more than the stock market had been expecting. Earnings per share were 13.5p (10.2p).

But market trading was slack, the sector depressed, and the share price sagged to 561p for a fall of 6p on the day.

The MEPC board has decided to increase the level of the interim dividend relative to that of the final, so that it will reflect more closely the level of half-way profits. Thus it has declared an interim dividend of 4.75p (3.5p). Full-year payments for 1987-88 were 14.5p.

The increase in pre-tax profits to a level higher than the market had been expecting came largely because MEPC lifted its property trading profits. "It is not expected that they will be repeated in the second half," warned Sir Christopher Benson, chairman.

This increase in trading lifted earnings under the category of "other income" to £26m (£15.3m).

But the staple of MEPC's earnings is the income it draws from its investment property portfolio, which spreads through the main property sectors and extends into Europe, Australia and the US.

In this portfolio the continuing pattern of rent reviews in a rising market, plus a flow of income from two shopping developments which started at the end of the 1987-88 year, lifted net property income to £78.3m (£71m).

This income, Sir Christopher said, "provides a solid base from which to maintain the current development programme which has an estimated cost of £1.2bn and comprises in excess of 3.5m sq ft of new accomodation".

● COMMENT

Investment property company interims tend to be a bit bland and MEPC is no exception. However, the figures underline the strength of the market, although retail growth is starting to sag. MEPC will continue in the second half as it has behaved in the first, probably to give full-year pre-tax profits of about £120m. Two *London developments soon to* produce income will show up better in 1989-90. Gearing remains modest and over 90 per cent of debt is fixed, so there should not be any tremors from high interest rates. Net asset value is on track for 875p a share by year-end, putting the market price at a 36 per cent discount, high even by current standards for the sector.

Designers falls by 25% but joint venture boost

By Philip Coggan

COMPANY of Designers, the USM-quoted design consultancy, yesterday announced a 25 per cent fall in interim pre-tax profits and revealed a joint venture with FFNS Gruppen, a Swedish architectural and property group.

FFNS also intends to take a 13 per cent stake in Company of Designers via a placing of 2.25m shares at 110p each. The shares will be available to existing holders on a one-for-seven basis; to the extent that FFNS fall short of 13 per cent because of shareholder take-up, it will "top up" through purchases in the market.

The joint venture will be made up of two CoD businesses — Company of Designers London and Burnet Tait — together with two FFNS businesses — FFNS International and Scaan Consultants. The aim is to combine the existing London operations of the two groups and to establish an international building design group based on EC countries.

Pre-tax profits for the six months to March 31 1989 fell, on a merger accounted basis, to £833,000 from £1.11m in the previous first half. Earnings per share fell to 3.3p (4.6p). The interim dividend is being increased to 1.25p (1.1p).

The company blamed the fall in profits, which came despite an increase in work done from £5.28m to £7.01m, on a rise in staff and marketing costs and on below expected results from Sibley Robinson, the Cambridge-based consulting engineer it acquired last July.

Mercury picks up more Gateway

By Nikki Tait

Mercury Asset Management, one of the institutions acting in concert with Isosceles, the newly-formed company which is bidding for supermarket group Gateway, has picked up a further 500,000 shares in the food retailer.

The purchase means that MAM now owns or holds 17.8m shares on behalf of discretionary clients, equivalent to 2 per cent of Gateway's equity. The shares were bought at 204p - below the 210p value of Isosceles revised cash alternative.

SHARE STAKES

Changes in company share stakes announced recently include:

Allied Insurance: Nigel Cayzer, director, has purchased 125,000 ordinary at 125p from Martin Harridine, the chairman.

Aran Energy: Norwich Union is now the beneficial owner of 8.64m ordinary (5.3 per cent).

Armstrong Equipment: Caparo Group acquired 360,000 ordinary and its holding of voting shares is now 9.53m (17.9 per cent).

Avon Rubber: Scottish Amicable Investment Managers hold 855,000 (5.13 per cent).

Bett Brothers: IC Brett, chairman, acquired 166,667 ordinary and his holding is now 1.39m (9.25 per cent).

BM Group: Robert Fleming Asset Management acquired 850,000 ordinary bringing its holding to 4.09m (15.19 per cent).

Dana Exploration: Patrick O'Connor has bought 11,000 shares at 34p.

Dickie (James): Specialist Holdings bought 20,000 ordinary, lifting total to 267,500 (14.65 per cent).

Dukeminster: Establissement Finital has bought 49,793 at 75p. Total holding is 40.65m shares (56.65 per cent).

Elswick: Scottish Amicable Investment Managers hold 7.54m shares (5.64 per cent).

Fairey: Electra Investment Trust sold 250,000 ordinary and reduced stake to 6.9 per cent.

Gabicci: CI Industrial Investments has purchased 50,000 ordinary bringing holding to 1.19m.

Herring Son and Daw: PE Farrington, director, has sold 200,000 ordinary at 196p each, reducing holding to 800,000 (7.24 per cent).

HTV Group: Phillips and Drew Fund Management holds 12.66m shares (18.35 per cent) on behalf of various discretionary clients.

Huntleigh Technology: G Hart beneficially holds 436,611 ordinary (5.16 per cent).

Isopad International: Mrs RP Reik, director, disposed of 400,000 ordinary by way of a gift and now holds 1.32m (11.3 per cent).

Jacks (William): Wyndham Group sold 35,000 ordinary reducing stake to 915,000 ordinary (8.45 per cent).

Lawtex: United Overseas has bought 50,000 ordinary lifting stake to 395,000 (9.78 per cent).

Leslie Wise Group: Govett UK Special Opportunities Fund sold 500,000 ordinary, reducing total to 1.7m (5.4 per cent).

Lilleshall: Manny Davidson Discretionary Trust and Jeltak have disposed of their entire holdings of 963,525 and 119,463 shares respectively. The shares were placed with institutional investors. Sun Alliance and London Insurance holds 890,240 shares (8.11 per cent).

Mersey Docks: Greathey Investments — together with interest of its holding company Largs — interested in 2.19m combined units (10.59 per cent), of which 2.12m are registered in the name of Peel Holdings.

Mountleigh Group has bought 1m of its own shares in the market at 159p each for cancellation. RA Clegg, chairman and chief executive, sold 300,000 ordinary at 159p and bought 300,000 convertible preference at 99p. He now holds 30.52m ordinary, an option to buy 16.67m, and 4.6m convertible preference.

Olim Convertible Trust: Scottish American Investment acquired 2m ordinary (13.3 per cent).

Prism Leisure: George Akins has bought 85,000 shares increasing holding to 765,000 (19.59 per cent).

Shandwick: Baillie Gifford has sold 123,332 shares on behalf of clients. Funds under management total 5.17m (7.64 per cent).

PUBLIC WORKS LOAN BOARD RATES

Effective June 1

Years	Quota loans repaid by EPY†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPY†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
Up to 1			12⅞			13⅜
Over 1 up to 2	12⅝	12⅛	11⅞	13⅛	13⅛	12⅝
Over 2 up to 3	12⅛	12	11⅝	13⅛	13	12⅛
Over 3 up to 4	11⅞	11⅞	11⅝	12¾	12⅝	12
Over 4 up to 5	11⅞	11⅞	11⅝	12½	12⅜	11⅞
Over 5 up to 6	11⅝	11⅝	11	11⅞	11⅝	11½
Over 6 up to 7	11⅛	11	11	11⅝	11½	11⅛
Over 7 up to 8	11⅛	11⅛	10⅞	11⅝	11⅜	11½
Over 8 up to 9	11⅛	11	10⅝	11⅝	11⅛	11⅛
Over 9 up to 10	11	11	10½	11½	11½	11
Over 10 up to 15	10⅞	10⅞	10	11⅜	11	10½
Over 15 up to 25	10¼	9⅞	9⅞	10⅞	10⅞	10⅜
Over 25	9⅞	9⅝	9⅝	10⅜	10⅜	10⅜

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Merged group doubles profits to £23m in its first full year of operation

Imry Merchant assets expand by 72%

By Paul Cheeseright

IMRY MERCHANT Developers, which will be unveiling plans to preserve the remains of Shakespeare's Rose Theatre on its site in Southwark, recorded a 72 per cent increase in its net asset value per share. Even in a sector grown accustomed to buoyant figures, this was abnormally high.

Land Securities, the biggest property investment and development group, last week reported a 28 per cent increase. This was seen as a good result, but the market remained unimpressed.

At a time when market price discounts to asset value have been averaging about 27 per cent, there was little chance that Imry would be singled out for special attention.

This compares with a published net asset value per share of 549.7p for the year to last March, compared with 320.1p in March 1988 and wide expectations of 650p to 670p by *March 1990.*

Imry, though, has never been a darling of the market.

The group, a result of a merger between Imry International led by Mr Martin Myers, and City Merchant Developers, led by Mr Martin Landau, is a post-crash creation. The latest figures are for the first full year of operations of the merged group.

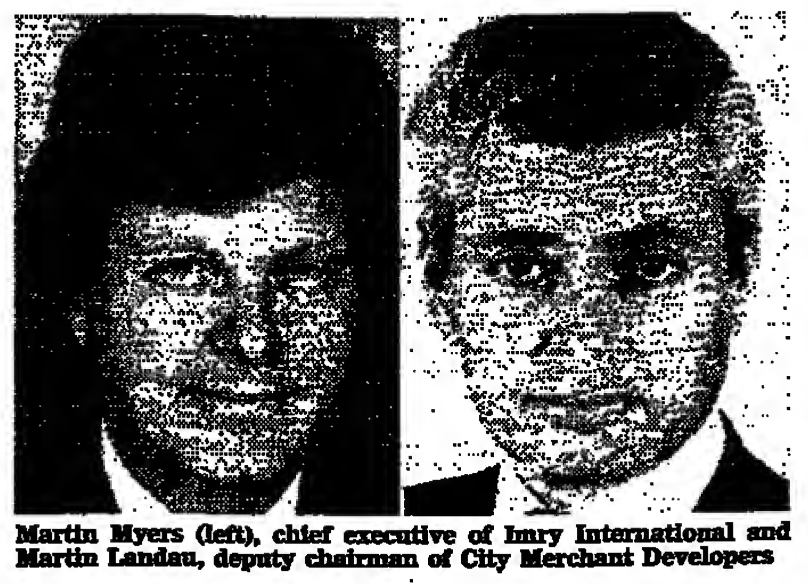
"From Imry International to Imry Merchant Developers the market has remained sceptical of the cohesiveness of the company — a marriage of convenience rather than one made in heaven," commented Barclays de Zoete Wedd. "As a result the company has been a poor performer over the past two years despite bid speculation salvaging some performance over the past few months."

Yet the actual figures, although widely and accurately predicted, are better than most property companies have produced over a period when the sector has blossomed in the face of a high demand for space, a sharp increase in rents and a lowering of yields.

Pre-tax profits for the year to March 31 were £22.81m against £11.73m the previous year. Fully diluted earnings per share for the year were 72 per cent higher than 1987-88 at 37.5p.

Over the last year, Imry has changed its accounting policy to take the sales of investment properties below the line. This has meant that profits after tax and extraordinary items were £42.69m, compared with £13.24m the year before.

This sharp rise is largely explained by a net profit of £20m on the sale to the Bond Corporation of the remaining stake in the St George's Hospital scheme at Hyde Park Corner for a new hotel and offices.



Martin Myers (left), chief executive of Imry International and Martin Landau, deputy chairman of City Merchant Developers

The final dividend is 6p, making a total for 1988-89 of 9.5p after payments of 7.5p the previous year.

Rising property values have meant that gross property assets have risen 25 per cent to £376.9m, while the value of completed investment properties has risen to £282.23m from £204.61m in March 1988.

The way in which the values of its office property have risen is a microcosm of the industry itself: 22 per cent in the City of London, 35 per cent in Holborn, the West End and inner western districts of London, 39 per cent in suburban London and 34 per cent in the regions. Nearly three-quarters of the group's investment portfolio is in London.

The group is now staying clear of the City of London, *and the greater part of its* development programme — designed both as a source of revenue through prefunded ventures and as the base for investment growth — is on the west side of London or outside. Indeed, since the year-end, purchases have been made in Birmingham, Manchester and Sutton Coldfield.

The future of the group is thus crucially dependent on its ability to bring this programme to fruition against an immediate background of high interest rates and a medium-term prospect of a slower property market.

The total cost of the programme is £860m, of which £660m is committed. But two-thirds is institutionally funded and Imry is participating in the profits. Here Imry's liabilities are technical rather than financial. For the rest, in partnerships, Imry has a liability of £8.4m on limited recourse bank loans. A remaining £28m is being funded from group resources.

Corporate debt has now largely been arranged at fixed interest rates and gearing has in fact declined to 36 per cent over the last year from 65 per cent. Net borrowings are £96.5m. Imry feels comfortable with a gearing of around 50 per cent, so there could be more borrowing this year. There is *immediate access to a* £175m bank facility of which £100m remains unused.

This year there should be further growth in the value of Imry's investment portfolio and an increase in development revenue and trading profits. But the market is moving in a way that suggests returns across the sector will be lower than the dizzy heights of 1987 and 1988.

UK COMPANY NEWS

Siebe beats market expectations with 30% rise to £152m

By John Ridding

SIEBE, the controls, engineering and safety equipment group, announced profits of £152m for the year ended April 1 1989, an increase of 29.5 per cent, and around £3m above market expectations.

The result was achieved on turnover up 15 per cent to £1.22bn, and despite a currency translation cost of £2.2m.

Earnings per share, still feeling the effects of 1987's troubled rights issue, rose 18.8 per cent to 49.4p (41.6p) and the final dividend is raised 31.6 per cent to 8p, giving a total of 11.375p (8.78p) for the year.

Mr Barrie Stephens, chief executive, said that the "excellent results ... are the fruition of our strategy over the last two years." This strategy, which comprised a series of share issues to finance expansion, drew sharp criticism from the City.

Yesterday, however, Mr Stephens said that although further acquisitions were possible in existing business areas, the company did not anticipate returning to shareholders for funds in the current year.

The driving force in Siebe's results was again the dominant controls division. Supported by profits of £18.1m from Barber-Colman, the subsidiary's first full year's contribution since its acquisition in October 1987, the division's contribution to profits was 30 per cent ahead at £86m.

The compressed air and the safety products divisions both raised profits by about 30 per cent.

However, the specialist engineering businesses suffered from the effects of a slump in nuclear plant construction in continental Europe and raised profits by only 6 per cent to £14m.

Geographically, the US extended its dominance of sales, accounting for 46 per cent of the total, on turnover up from £243m to £556m.

Mr Stephens said the group "was beginning to hurt Honeywell", the world's largest control company.

In continental Europe, sales increased from £244m to £265m and, according to the company, emphasis will be placed on further expansion there ahead of 1992.

Mr Stephens said the current year had started well and that orders for the first two and a half months stood at £290m, against £260m for the comparable period.

During the year gearing fell from 44.9 per cent to 38.2 per cent. The tax rate was brought down to 35.5 per cent from 39.1 per cent, reflecting reduced overseas rates particularly in the US.

Research and development expenditure continued at a high level, rising from 3.9 per cent of turnover to 4 per cent.

● COMMENT

Mr Stephens proudly claims that "we are becoming flavour of the month again and we kind of like that". While many may still harbour a grudge concerning the flurry of paper issued over the last few years, the generous dividend, and the rejection of another issue this year should ensure that Siebe stays out of the doghouse. More importantly, yesterday's figures show that the strategy has been working rather well and that the pain of the acquisition expenditure has given way to concrete gains. In the current year there is little reason to doubt further steady progress. The possible constraints include the impact of higher domestic interest rates. But with only 15 per cent of sales coming from the UK the group enjoys a degree of protection. The picture is complicated somewhat by the impact of volatile exchange rates, but a strong dollar will remove currency translation losses and the effect on US exports will be mitigated by the currency stimulus provided elsewhere. With gearing coming down, the likelihood of a relatively modest acquisition programme and strong cash flow, interest charges may well fall. Pre-tax profits should reach £175m putting shares on a multiple of just under 9. While this rating reflects the group's rehabilitation in the market, it must still look pretty attractive to predators.

Inflation, general economic slow-down and the price freeze contribute to flat profits

BT's final quarter 'disappointing' at £575m

By Hugo Dixon

BRITISH TELECOM yesterday announced flat pre-tax profits of £575m for its final quarter, bringing at least to a temporary end several years of strong profit growth.

Mr Iain Vallance, chairman, described the results as disappointing.

BT's performance in the final quarter to the end of March was held back by the general slow-down in the economy. Call volume continued to grow but at a slower rate than in previous quarters. Turnover rose £182m, or 6.2 per cent, to £2.87bn.

At the same time, costs went up because of higher inflation and the efforts undertaken to improve quality of service. BT did not pass these on to customers because of its promise to freeze prices until the end of July. Earnings in the quarter moved ahead to 6.2p (5.5p).

Mr Graeme Odgers, group managing director, added that competition from Mercury Communications was starting to affect business, particularly the international side. "We take competition very seriously indeed," he said.

"I don't think there's anything seriously wrong," said Mr Stephen Owen, an analyst with James Capel. "In the long run, one can actually be fairly bullish," he said, emphasising the underlying growth in call volumes.

Tony Andrews

Barry Romeril (left), group finance director; Graeme Odgers (right), group managing director; and Iain Vallance (centre), chairman — not to be drawn on increases in phone prices later this year

For the whole year, pre-tax profits grew 6.3 per cent to £2.44bn as turnover increased 8.7 per cent to £11.07bn. Earnings per share were 10.1 per cent up at 25.9p and a proposed final dividend of 6.25p makes a total of 10.5p (9.5p) for the year.

All BT's three main divisions increased their operating profits. The UK division, which is responsible for the main inland telephone network, saw profits increase 5.4 per cent to £2.1bn; the international division's profits grew 7.4 per cent to £653m; and in the communications systems division, which includes most of the new businesses that BT is diversifying into, profits rose to £66m from a previously modest £18m.

Mr Vallance refused to break down the profits of any of these divisions. In particular, he refused to say how profitable BT's mobile communications businesses, which include Cellnet, the UK cellular operator, had been. He also refused to give revenue or profit details of its fast-growing private circuit business.

In two further areas, Mr Vallance refused to comment. He would not be drawn on whether BT would put up its phone prices later this year. Nor would he say how negotiations were proceeding with BT's main union in the current pay-round. Analysts fear that a large pay increase would knock future profits.

BT's capital expenditure during the year was a record £2.97bn, a 25 per cent increase on the previous year. Much of the increase was accounted for by extra spending on upgrading its transmission systems.

Over the coming year, the company said capital expenditure would not grow nearly as fast. Most of the growth would be in building up its mobile networks, while spending on its main network would be static at £2.5bn.

Staff numbers in BT's core business grew by about 5,000 during the year as part of its effort to improve quality. The number of employees would, However, remain static this year and then fall, BT said.

See Lex

RTZ allows holders to reverse decision on scrip option

By Kenneth Gooding, Mining Correspondent

SHAREHOLDERS in the RTZ Corporation who elected to take shares in lieu of a cash dividend for the 1988 financial year are to have a chance to change their minds, Sir Alistair Frame, the chairman, told yesterday's annual meeting.

This follows the fall in the RTZ share price after last week's announcement of a £486m, one-for-seven rights issue to help finance the purchase of BP Minerals from British Petroleum for $4.3bn (£2.73bn).

The RTZ share price yesterday rose by 1p to 498p compared with 511p immediately before the 435p-a-share cash call was announced.

Sir Alistair revealed that 15 per cent of RTZ's shareholders had elected to take shares instead of a cash dividend.

A resolution was approved which Sir Alistair suggested would enable RTZ to get a clearer idea of the real identity of its shareholders.

It permits the group to dis-*enfranchise* any nominee shareholder if there is no response 14 days following service of a Companies Act 212 notice on the nominee account holder.

It will also be possible for RTZ not to pay dividends and to refuse to transfer shares if the nominee account holds more than 0.25 per cent of the issued capital (currently about 2m shares).

Sir Alistair told the meeting yesterday that RTZ had made a good start to 1989, largely as a result of firm metal prices in the first five months, helped by the recent strength of the US dollar.

He pointed out that stocks of nearly all minerals were at a very low level relative to consumption. "Under these conditions, prices are likely to remain volatile. We still expect them to average somewhat below peak levels in the remainder of the year but in some instances this can mean higher averages than those of 1988," Sir Alistair added.

Motivaction lifts stake in Addison

Motivaction, the privately-owned French market research company, has moved closer to achieving its aim of acquiring a 29.9 per cent stake in Addison Consultancy, the design and market research company.

The French group has followed the recent purchase of 2m Addison shares with the acquisition of a further 250,000 shares to boost its holding to 27.56 per cent.

MAI, the financial services and advertising group which has held takeover talks with Addison, owns about 15 per cent of the capital.

Motivaction is attempting to negotiate representation on Addison's board after the purchase of the stake during the past two months.

Westland profits sharply lower at £8m

By Clare Pearson

LOWER PROFITS at the technology division and an increased research and development spend meant Westland, the helicopter group, produced pre-tax profits below City expectations at £8m, down from £13.1m, in the half-year to end-March.

The company, where GKN, the engineering group, took a 22 per cent stake last autumn, had earlier warned that the figures would reflect the expected two-year hiatus before the benefits of increased export orders came through.

Mr Alan Jones, who took over as chief executive from Mr Alec Daley in April, said Westland was looking closely at the technologies division, which makes a range of small equipment for aircraft, and "would take the necessary action with the poorer products."

Operating profits from this division fell to £2.6m (£5m).

In the helicopters and customer support division, operating profits were £7.6m (£11m) on turnover of £161.2m (£124.4m).

The period saw the first deliveries of Sea King helicopters to India — a contract subject to irksome delays and dating from before Westland's reconstruction, and the associated political crisis, in early 1986.

About half the helicopters were delivered at break-even.

On the outlook for orders for Black Hawk helicopters from Saudi Arabia, Mr Jones said: "I sense the Saudis are placing an increased priority on helicopters".

The Saudi order, and more importantly the expected production contracts for EH101 helicopters, the Sea King successors, from Italy and the UK and possibly Canada as well, are central to the company's future workload.

Aerospace, which makes big parts for aircraft, made £1.2m against a £100,000 loss.

Westland said it was successfully building a role as a supplier to important commercial and defence customers.

Turnover was £218.5m (£185.8m). Earnings per share worked through at 3.2p (6.2p) and the interim dividend is being maintained at 1.25p.

● COMMENT

Followers assume that GKN, *which has made no secret of its* ambitions to control Westland, will in due course make a bid: the big question is "when". There was some excitement in March when Westland changed its stockbroker to avoid sharing it with GKN, but on mature consideration it was thought GKN would wait at least until the Saudis sign on the dotted line. However, the recent drift in Westland's shares, which is not going to be alleviated by another set of disappointing results, introduces a new factor since presumably the bigger company, albeit conservative, is not impervious to price. Compared with these considerations, the numbers in yesterday's results are virtually irrelevant. A very flat year for deliveries should see pre-tax profits at about £21m, against £30.6m (before a £13.2m exceptional provision) last time. The prospective p/e is over 12.5.

Hickson expands in Italy with £10.6m acquisition

By Vanessa Houlder

HICKSON INTERNATIONAL, specialist chemicals group, announces a further move into the Italian market with the acquisition of Galstaff for an initial L23.97bn (£10.6m) in cash.

The acquisition of Galstaff, which makes specialist resins, lacquers and stains, follows the purchase of Sayerlack Industria Vernici Speciali for L36.5bn (£16.9m) in July 1987. As a result of these acquisitions, Hickson is the second largest producer of furniture lacquers to the Italian market, with a share of about 15 per cent.

The deal, which is part of Hickson's strategy of expanding in the US and western Europe, brings the total number of acquisitions since 1985 to 19.

A further cash payment of up to L10bn (£4.42m) will be paid dependent on Galstaff's performance in the three years to April 30.

Galstaff is based near Varese in Northern Italy, while Sayerlack is near Bologna. Galstaff reported pre-tax profits of L3.42bn on sales of L32.43bn in 1988. Warranted net assets at June 30 will be at least L8.75bn (£3.87m).

Expamet makes £3.7m disposal

Expamet International, the security and industrial products group, is selling Signfix, its Bristol-based sign system manufacturer, for £3.7m cash.

Signfix is being purchased by its management, with backing from venture capital organisation 3i.

Expamet announced a disposal programme last January when it launched a £13.5m rights issue to help finance the £49m acquisition of Radionics, the US security components supplier.

Signfix made pre-tax profits of £587,000 in 1988.

BTP £2m polymer expansion

BTP, the specialist chemical and industrial group, has acquired Stamina Components (Syston) and its subsidiary, Gradewell Components, for £1.95m cash.

The two Leicestershire-based companies will be integrated into the polymers division, which manufactures speciality rubber and plastic products. In the last financial year, Stamina and Gradewell, turned in a combined pre-tax profit of £430,000 on sales of £3.84m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglo Leasing	fin	3.5	Aug 7	2.5	5	3.5
British Telecom	fin	6.25	Sept 11	5.75	10.5	9.5
Caffyns	fin	6.5	-	5.8	11.5	10
Control Secs	fin	0.45	Aug 11	nil	1.2‡	nil
Imry Merchant	fin	6	-	5	9.5	7.5
McLeod Russel	int	2.5	-	2.25	-	6.75
MEPC	int	4.75	July 18	3.5	-	14.5
M&G Group	int	4.5	July 3	3.5	-	8.5
PCT Group §	fin	3.1	-	2.4	5	4
Ritz Design	fin	2	July 6	-	2	-
Sidlaw	int	3	July 28	2.75	-	7
Siebe	fin	8	-	6.08	11.375	8.78
Storehouse	fin	6.3	Aug 15	6.3	8.8	8.8
TSB Channel §	int	3	-	2.75	-	6.1
Utd Scientific	int	nil	-	2.7	-	7.3
Westland	int	1.25	July 31	1.25	-	3.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡Included special 0.375p regarded as final for previous year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Dwyer, Hunterprint, Perstorb.
Finals- Edbro, Henderson Admin, Portsmouth

FUTURE DATES

Interims-

Powerscreen Intl	June 8
Willoughby's Consolidated	June 9

Finals-

Alphameric	June 13
Betterware Consumer Prods	June 7
Burtonwood Brewery	July 7
Learmonth & Burchett	June 13
Phoenix Timber	June 8
Reject Shop	June 19
Saleland	June 12

UK COMPANY NEWS

Subsidiary pushes USH into loss

By John Thornhill

CONTINUING PROBLEMS at its Avimo subsidiary accounted for a pre-tax loss of £5.5m at United Scientific Holdings, the defence equipment manufacturer, in the six months to the end of March.

In the corresponding period, USH made a pre-tax profit of £5.35m.

The loss announced yesterday included a £5m above-the-line provision made against anticipated future losses at Avimo.

USH issued a warning last September that its Taunton-based subsidiary was encountering difficulties with two large fixed-price contracts, and last month USH revealed that "these problems were more deep-seated than previously thought."

Avimo, which manufactures night-sight equipment, encountered technical problems on one of the contracts and overran original estimated costs on the other.

Since the contracts were signed in the 1986-7 financial year, USH has reorganised Avimo's management and is now trying to cut costs and resolve the technical problems. If these efforts are successful then USH may be able to release some of the provisions.

However, Avimo also made an operating loss of £3.5m in the half year dragging down USH's other major subsidiaries which all traded profitably.

The board is not recommending an interim dividend payment because of the poor trading result but expects to pay a final dividend which will reflect the group's profitable performance in the second half.

After minority interests of £628,000 (£627,000) and payment of preference share dividends of £1.02m (£791,000), the loss attributable to shareholders was £7.38m (£3.4m profit).

Turnover dropped to £47.66m (£62.02m) and losses per share amounted to 13.1p compared with earnings of 6.1p in the corresponding period. Interest charges rose to £586,000 (£249,000) but tax payments were reduced to £233,000 (£535,000).

● **COMMENT**

It is difficult to gain a fair perspective of USH's overall performance through the swirling gloom that surrounds Avimo. It is hoped that the worst has now been seen and the company can begin the hard haul back into respectable profitability, but this view does not yet seem certain. Ominously, USH's other businesses seem to be facing a tough struggle in the current lacklustre defence market, although the company says orders will feed through more strongly in the second half. Given these worries it is not easy to see a healthy short-term future for the business unless the oft-rumoured bidder materialises. Some of USH's businesses could well have admirers among the likes of GKN and Pilkington and a break-up of the group is a possibility. While such talk persists the share price of around 140p seems fair in view of a possible bid price of 200p, but on fundamentals the price is otherwise askew. USH expects to trade profitably in the second half but analysts believe it is unlikely that it will be able to redress the deficit announced yesterday. Losses of £1m to £2m may be in view for the year.

Anglo Leasing advances to £8.3m

By Nikki Tait

PRE-TAX profits at Anglo Leasing, the medium-sized leasing company which has since become the vehicle for Sir James Goldsmith's much-heralded return to the UK acquisition trail, rose from £5.98m to £8.27m in the year to end-March.

Earnings per share, after a repeated nil tax charge, increased by 32 per cent to 25.1p (19p). There is a second interim dividend of 3.5p, making a total of 5p compared with 3.5p last time.

Anglo said that in the 12-month period new business, representing the capital cost of equipment purchased plus the value of business loans made, jumped by £46.7m to £140.8m. Finance charges that will be earned in the future from agreements already on the books rose by about £20m, totalling £63m at end-March.

The directors suggested that the company was "well-positioned to continue its growth", pointing out that its borrowing facilities had been significantly strengthened and that proceeds of the forthcoming rights issue will add nearly £50m to Anglo Leasing's funds.

Under the current reorganisation proposals, shareholders are due to swap their shares in Anglo Leasing for shares in a new holding company, Anglo Group.

This will occur after the scheme of arrangement becomes effective on June 16. Anglo Leasing will then become a subsidiary of Anglo.

Shares in Anglo Leasing, which jumped dramatically after Sir James announced his impending return, were 2p higher at 420p yesterday.

Control Secs doubles to £20m

By Vanessa Houlder

CONTROL SECURITIES, property and leisure group, more than doubled pre-tax profits from £8.31m to £20.3m for the year to March 31.

A revaluation of its investment properties at the year end helped increased net assets per share to 82p, an increase of 61 per cent. Net assets increased from £119m to £329m, including a surplus on revaluation of £88m.

During the year the company expanded its leisure interests through the acquisition of 128 pubs from Grand Metropolitan, 80 pubs from Brent Walker as well as Belhaven Brewery and its 41 pubs. The division now includes about 550 pubs and nine hotels.

The breakdown of profits before tax and interest showed that the contribution from property trading had fallen from 54 per cent to 33 per cent while the contribution from property rental had grown from 38 per cent to 48 per cent and leisure from 8 per cent to 17 per cent.

Mr Nazmu Virani, chairman and chief executive, said that within three years he expected to balance profits between the property and leisure activities of the group.

Mr Virani said that Belhaven, as a regional brewer with a nationwide distribution network, stood to benefit tremendously from the Monopolies and Mergers Commission report. Control planned to bring the total number of pubs up to the maximum permitted, he said.

Belhaven has more than doubled its output of beer from 22,000 barrels to 45,000 barrels and expects to operate at its maximum capacity of 120,000 barrels in 18 months time.

Interest charges rose from £2m to £7.03m. Interest cover was four times and the ratio of borrowings to gross assets, which more than trebled to £533m, was 26 per cent.

Earnings per share increased from 5.1p to 5.5p. A final dividend of 0.45p per share was proposed, making a total of 1.2p.

● **COMMENT**

Control's breakneck rise from its heavy losses of three years ago has left the City a shade nonplussed. While many investors have ignored Control, others have looked faintly askance at a company that does the bulk of its business in the mosque and the rest with famously hard-nosed dealers such as Tony Clegg and Gerald Ronson. The resulting issues of large chunks of shares have also depressed the share price – even though they provided the means for Mountleigh to build up its 23 per cent stake. The future of this stake is perhaps the most genuinely perplexing aspect of Control, although the lacklustre performance of the share price (which yesterday sunk 2½p to 58½p after better-than-expected results) suggests that a placing is seen as more likely than a bid. Whatever the outcome, Control's shares – on a 29 per cent discount to asset value – look a little undervalued. Admittedly, property traders are expected to suffer thanks to heightening interest rates. But Control has a well balanced portfolio and in any case trading has shrunk from over half to a third of the business. Moreover, the rental side of the business should enjoy rising income and the pubs and brewing business is well placed to take advantage of the shake-up in the brewing industry.

Sidlaw rises 10% to £3.2m

SIDLAW increased its pre-tax profit by 9.6 per cent, from £2.92m to £3.2m, in the half year ended March 31 1989.

The directors said the results reflected the implementation of the current development plan, continued sound management of existing businesses in oil services and textiles, and the addition of another significant business operation in the growth sector.

The merger with HPC's flexible packaging business created a more broadly based group with enhanced prospects for earnings growth.

Sales in the period rose 16.5 per cent to £40.47m (£34.7m), while operating profit was up nearly 8 per cent to £3.64m (£3.38m).

Oil services provided £2.18m (£2m), textiles £903,000 (£861,000), packaging £558,000 (£503,000), and interest charges were cut to £440,000 (£455,000).

Earnings worked through at 7.72p (6.6p) and the interim dividend is lifted to 3p (2.75p).

Oil services division was well placed to benefit from the continuing recovery of the industry. Textiles made reasonable progress but had yet to gain from efforts to improve thecontribution from merchanting and household textiles.

Packaging result was in line with the warranty, and strong growth over the year was expected.

Since the half year the group has sold Edwards (Aberdeen), a wholesale grocery business. Together with the disposal of a property that released £4m cash for re-investment.

Ansbacher selling insurance arm for £9.7m

By Patrick Cockburn

Henry Ansbacher Holdings, the city financial services group, has agreed to sell its insurance subsidiary Ansbacher Insurance Holdings (AIH) to Leslie & Godwin, the Lloyd's insurance broker, for £9.65m.

Mr Antony Pinsent, chairman of Leslie & Godwin, itself a wholly-owned subsidiary of the leading US insurance brokers Frank B Hall, said that the acquisition would be "a complementary fit" with his company's existing business.

AIH is an international insurance, reinsurance broking and marine underwriting agency group with three Lloyd's brokers.

Also included in the purchase is Underwriters' Marine Services Inc, a marine underwriting based in New Orleans.

Excluded from the sale is a 75 per cent holding in Adams and Porter Inc, a US retail insurance broking group based in New York and California.

Henry Ansbacher plans to end its interest in insurance in due course by selling Adams and Porter. It said that for some time it had made no secret of its intention to divest itself of its insurance interests.

The performance of Ansbacher Insurance Holdings was described as disappointing in the last annual report with pre-tax profits of only £53,000 in 1988 and £320,000 in 1987.

Low profitability was blamed on poor performance of AIH's UK insurance broking activities, while higher profits came from its US insurance interests.

Mr Pinsent stressed that AIH in the UK has diversified outside the depressed marine insurance market with one third of its business now non-marine.

He said: "We shall gain strength and depth in many areas, notably fine art, bloodstock, financial and credit insurance."

Ritz Design improves to £1.6m

STEADY PROGRESS overall enabled the Ritz Design Group, the women's clothing manufacturer, to increase taxable profits from £1.45m to £1.63m in the year ended March 31 1989.

Problems in the blouse division were more than offset by strong performances from the underwear and nightwear activities, said Mr Richard Clemons, chairman.

He was budgeting for a further profit increase this year. Demand continued to be strong, particularly in nightwear, and steps were being taken to improve the performance of the blouse side.

Ritz joined the main market last September, and its principal customer is Marks and Spencer. Sales for the year rose to £23.99m (£20.68m). After a tax charge of 35 (21) per cent, earnings fell to 11.4p (13.1p); the dividend is 2p.

In the blouse division sales rose only 3.8 per cent to £10.9m and profits fell sharply. The underwear side produced a 17.6 per cent increase in sales to £6.6m and an 80 per cent advance in profits. Nightwear sales were £6.2m, a rise of 41 per cent.

All-round growth boosts PCT to £0.86m

GROWTH IN all divisions helped PCT Group almost double its pre-tax profits to £862,000 in 1988, against £448,000 last time. Turnover at this USM-quoted marketer and developer of power tools and lifting and welding equipment moved ahead from £16.74m to £17.15m.

The company made significant advances in market penetration in the power tools, lifting and plant hire divisions. This was due to improved depot organisation and increased activity in the south of England.

The final dividend is being raised 29 per cent to a proposed 3.1p (2.4p), to make 5p (4p) for the year. It will be paid from earnings up at 16.7p (11.5p) per share.

PCT said that 1988 had paved the way for future expansion, and that the company was currently in discussion with several compatible companies with a view to acquisition.

Wheway buys Airflow Construction

WHEWAY, the Birmingham-based industrial group which claims UK market leadership in computer room design and installation, has acquired Airflow Construction for a total of £3.5m.

The purchase of Airflow, which manufactures filters for heating, ventilation and air conditioning equipment, will be made through an initial payment of £2.3m, via the issue of 1.732m ordinary shares. This will be followed by £1.2m in cash and loan notes a year after completion.

Wheway says the purchase of Airflow, will make them one of the top four European air filtration companies. This will be helped by the fact that over 50 per cent of Airflow's turnover is outside the UK.

For the year ended June 1 1988, Aiflow reported pre-tax profits of £490,000 on turnover of £1.93m. Wheway achieved pre-tax profits of £2.96m for the six months to April 1, a jump of 54 per cent on the comparative period.

Kingspan joins USM

By Vanessa Houlder

KINGSPAN GROUP, a building components and insulation products group operating in the Republic of Ireland and the UK, is joining the USM through a placing that will value the group at £19.8m.

NCB Stockbrokers is placing 15 per cent of the capital at 78p a share, in order to raise £3m. After the placing, the directors will hold about 65 per cent of the shares and Industrial Credit Corporation, a shareholder since 1980, will have a further 13 per cent.

In 1988 the company made pre-tax profits of £2.1m on sales of £28.9m.

Whitegate purchases total £7m

By John Murrell

WHITEGATE LEISURE, the acquisitive Third Market company headed by Mr Nick Oppenheim and Mr James Naylor, yesterday unveiled a further £7m package of acquisitions.

Best known is the Spanish City Amusement Park, at Whitley Bay, Northumberland, which will acquired for £3.1m via the issue of 10m ordinary shares. The shares have been conditionally placed at 31p.

In Manchester, Whitegate has purchased Herriots Leisure Club and the Old Grapes, for £791,667 plus stock at valuation. Herriots offers full health facilities while the Old Grapes is a traditional public house. The leasehold properties have been valued on the basis of their existing use as fully operational businesses at £900,000.

Consideration will be satisfied as to £150,000 via the issue of 638,298 ordinary shares, which the vendors have undertaken not to dispose of for one year, and as to £641,667 by the issue of 2.07m ordinary shares which have been conditionally placed on behalf of the vendors at 31p per share.

Whitegate has also acquired the Coliseum discotheque, in Halifax, for £1.99m plus stock at valuation. The freehold property has been valued on the basis of its existing use as a fully operational business at £2.25m.

Consideration will be satisfied by the issue of 6.42m shares, which have been conditionally placed at 31p per share.

Contracts have also been exchanged for the acquisition of The Village at Mansfield for £1.07m plus stock at valuation. In addition, Whitegate will acquire the Village (Mansfield) for £75 and advance to the company £63,831 to enable it to discharge its net liabilities. The leasehold property has been valued on the basis of its existing use as a fully operational business at £1.15m.

Consideration will be satisfied via the issue of 3.45m shares, which have been placed on behalf of the vendors at 31p.

In March, Whitegate, which joined the Third Market in November 1988, announced the purchase of three discotheque businesses in France for around £2.8m, and the acquisition of Genrace, which owns the Wakefield Theatre Club, for £112,000 in shares.

A month earlier the company completed the purchase of five Strasbourg companies for £2.1m, and in January, along with its results for the 1988 year, reported the acquisition of the Waterfront Hotel and Club, in Kingston upon Hull, for £950,000 plus stock at valuation.

UK COMPANY NEWS

No bright spots as all divisions suffer and £49.4m needed for exceptional costs

Storehouse £11m profit worse than feared

By Maggie Urry

EVEN WORSE than feared was the stockmarket's view of yesterday's *Storehouse results*, which revealed a profit plunge to £11.3m pre-tax after exceptional charges for the year ended April 1 1989, against £114.9m.

The share price dipped 4p to 165p, still hoping for a bid for the group, whether from Mr Asher Edelman, who controls 8 per cent of the shares, or elsewhere.

Analysts had plenty of warning that the figures would be dismal. In February they had been called in by Mr Michael Julien, the chief executive who took up his post a year ago, to be told that about £48m of deck-clearing write-offs would be made.

But the City was surprised by some of the detail in the figures, notably the sudden fall into losses of Habitat in the UK – the original Sir Terence Conran business. And the £48m estimate of exceptional costs proved a touch too low, turning out at £49.4m.

There is a broad agreement that Mr Julien is doing the right things to tackle the company's many problems. But the backlog of difficulties will keep profits under pressure.

Analysts are looking for the current year to show a fall from the pre-exceptional costs profit of £60.7m, perhaps even *to the point where the 8.8p dividend* (the final is 6.3p) can no longer be paid from profits.

There were almost no bright spots in the breakdown of the year's profits, only some less dark patches. Throughout the group costs rose faster than sales, particularly when the trading climate worsened in the run-up to Christmas.

In BhS, the old British Home Stores which Habitat-Mothercare merged with 3½ years ago, operating profits fell 42 per cent to £40.2m, on sales up 1.5 per cent at £568.6m. The second half performance was not much worse than the first, when profits fell 40 per cent.

But Mr Julien took some encouragement from the fact that the 62 stores, out of 133, which have been converted to the new design produced a sales advance, while the old-style stores saw a decline. The difference between the two was 9 percentage points.

However, the group's need to save money means the refurbishment programme will be slowed down in the current year with, perhaps, 25 more stores being converted.

The mainstay of the speciality retailing division, formed last November, is Mothercare,

Sir Terence Conran, chairman of Storehouse: fall into losses at Habitat in the UK

the mother and childrens' products chain. Mothercare's profits fell to £17m (£21.5m) out of divisional profits of £18m (£28.7m). Speciality retailing sales rose 5 per cent to £399.8m. Mothercare's difficulties were largely in *Continental Europe* where the mail order operation and the West German stores have been closed.

There were worse problems in Richards, which seems to have followed the rest of the women's fashion sector into gloom, and Blazer, the menswear chain, which made a loss having apparently expanded from six to 18 stores before it had the right controls in place.

Mr Julien said that Richards had a much better start to the current year with sales in comparable stores up 20 per cent. The home furnishing side suffered a profits collapse in the second half. After a 10 per cent *increase to £4.2m in* the first half, the second half saw profits down from £9.8m to £900,000.

Habitat UK was the culprit. The rapid expansion over the last two years has added to *costs. At the same time* poor stock control has allowed the shops to be filled with goods which no-one wants to buy and empty of lines which customers would pay for. An "aggressive markdown programme" of surplus stock helped sales but hit profits.

For the group stock write-offs were *about* £14m higher than usual, on top of the exceptional write-down of £13.9m resulting from a new policy on stock values. In the balance sheet, stocks fell over the year from £195.6m to £176.8m, but Mr Julien said they should be around £150m to support the group's £1.2bn of turnover.

Net gearing has fallen from 25.1 per cent to 13.3 per cent, and should drop again, Mr Julien said. The interest charge, which included a £3.5m provision for interest on the convertible Eurobond, was £16m (£15.7m).

Pre-tax profits included property sale profits, less store closure costs, of £3.8m (£8m), and £13.1m (£10.7m) from related companies, mainly the *stakes* in Savacentre, the hypermarket chain, and Fnac, the French retailer, which were sold near the year end.

Profits after tax were £6m and only the related company sales, which threw up extraordinary gains of £52.8m, covered the dividend pay-out.

Earnings per share, excluding the exceptional costs but including the extraordinary gains, were 9.5p (19.2p).

See Lex

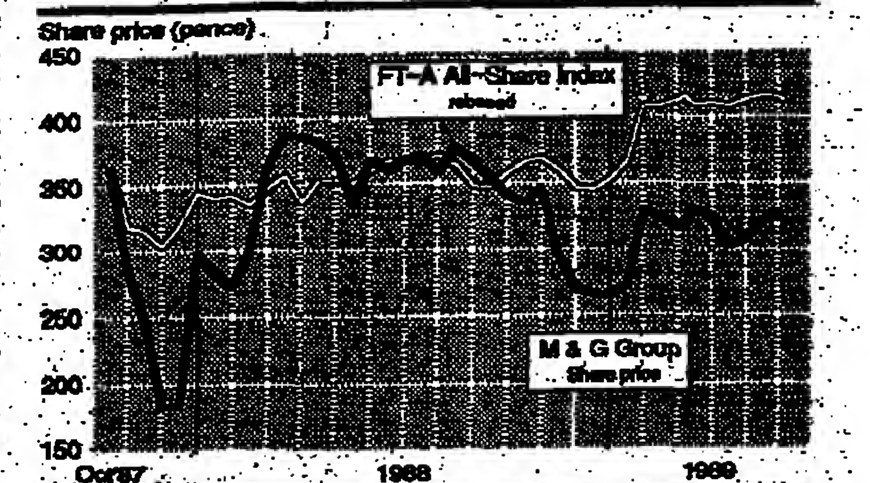
M&G ahead but 'investor confidence still fragile'

By Nikki Tait

M&G, Britain's largest unit trust group, yesterday reported a 15.3 per cent increase in first half pre-tax profits to £12.32m.

Earnings per share in the six months to end-March jumped by 18 per cent to 11.07p a share. The interim dividend goes up from 3.5p to 4.5p and – somewhat unusually – M&G is forecasting a final of not less that 6p (5p).

The company goes on to confirm that it expects full year profits to show an advance – in 1987-88 it saw a very small dip to £23m – but concedes that "investor confidence in the UK remains fragile, with the attraction of high interest rates exerting a strong influence."



Nevertheless, unit trust funds under management improved from £3.53bn to £4.07bn in the half-year while the number of unitholder accounts rose from 492,521 to 514,475. Sales of M&G authorised unit trusts totalled £237m compared with £215m in the same period a year earlier, while redemptions fell from £221m to £140m. Net sales, therefore, totalled £97m, compared with net redemptions of £6m in the first half of 1987-88.

Revenues from unit trust management and related activities were up by just under 15 per cent at £18.8m. However, marketing and commissions expenditure rose from £4.34m to £5.02m, while administration costs increased to £6.09m (£5.11m). The company is not increasing unit trust charges beyond 5 per cent initial and 1 per cent annual, but has been getting authorisation from the trusts to pass on certain costs relating to trustee and regulatory functions.

Operating profits, therefore, stood at £7.68m (£6.95m).

However, profit from long-term insurance funds came in at £2m (£1.7m), while interest receivable and investment income increased from £2.03m to £2.64m. On the life assurance and pensions side, M&G says the level of new business was "satisfactory", with sales of single premium business totalling £68.7m (£53.1m). New annual premiums totalled £4.1m – well down on the £18m seen in the previous year, when tax changes provoked a surge of interest in Maximum Investment Plans.

The tax charge was £3.88m (£3.47m).

● COMMENT

M&G clocked in slightly ahead of market forecasts yesterday – although, as a company whose fortunes are closely aligned with stock market events, it could have picked a happier week in which to do so. Still, short-term hiccups aside, it is probably fair to assume that the unit trust business is on a gradual recovery tack and although cost increases outstripped revenue improvements in the first half, the passing-on of certain expenses to the trusts will start to help matters in the second half. M&G estimates that this could save the group about £4m in a full year, and perhaps half that in the current six months. With analysts also tending to view halfway figures from the life side as conservative, some forecasts were being upgraded modestly yesterday – giving a range of around £26m to over £29m for the full year. With the shares a penny higher at 329p yesterday, the more pessimistic view suggests a prospective multiple of around 14 times, which – if "bid stocks" are excluded – puts M&G at a premium to others in the sector. Given that the Bond stake was placed out at 332p, there might be some overhang which prevents much short-term upside developing, but on a longer-term view, the rating seems well-deserved. After all, few other fund management companies have come through the stock market crash without a dent in profits.

Caffyns rises to £2.06m but suffers sales slowdown in south

By John Thornhill

CAFFYNS, the Sussex-based motor dealer, increased pre-tax profits by 6.5 per cent from £1.93m to £2.06m in the year to March 31, but indicated that the much-heralded softening of the new car market was becoming noticeable in the south of England.

In spite of the strong growth in new car sales nationally in the first four months of 1989, Mr Alan Caffyn, chairman, said: "Across the whole spectrum of franchises in the south, reports show a slowing of car sales particularly to the private motorist."

However, he added that sales of second hand cars continued at healthy levels.

Taxable profits were checked by a 46 per cent increase in interest charges to £1.28m (£877,000).

Half of this increase was due to the rise in interest rates but the rest was attributed to investment in new branches and higher stock levels.

The tax burden of £206,000 – compared with a tax credit of £164,000 in the previous year – led to a fall in earnings per share to 53.3p (61.7p).

Sales rose by 13 per cent to £131.73m (£116.65m). The total dividend has been increased to 11.5p (10p) after a recommended final dividend of 6.5p.

An exceptional credit of *£905,000 (£418,000) related* to profits made on the sale of properties during the year minus reorganisation and redundancy costs.

Mr Caffyn said that he had an aversion to trying to predict the fortunes of the retail motor trade.

But he added that in spite of the difficult period ahead for the industry the group could look forward with some confidence because of developments undertaken during the year.

WPP confirms that it is to purchase Coley Porter

By Nikki Tait

WPP, the advertising and marketing services group, yesterday confirmed that it was buying Coley Porter Bell, the London-based design consultancy.

The deal is structured on a deferred performance-related payment basis, but the overall maximum consideration cannot exceed £12.5m.

WPP is also forming a holding company – called Rasor Communications Continental *Europe – to co-ordinate* its marketing services operations in continental Europe.

Coley Porter Bell's managing director, Mr Jan Hall, will become European business development director, while becoming chairman and chief executive at the design consultancy.

CPB was formed in 1979 and during 1988 saw turnover of £3.4m and pre-tax profits of £410,000. Larger clients include Unilever, United Biscuits, Costain and British Airways.

The deal comprises an initial payment of £2.5m, of which £2m is in cash and the remainder in WPP shares.

Further stage payments will be made in 1991 and 1993. They will be half in cash and half in shares, and will be conditional *on the level of after-tax* profits achieved. Final payment will be made in 1994 based on average after-tax profits for the three years to end-1993.

All executive shareholders in CPB who take WPP shares will keep them for at least three years.

Smurfit set to purchase Tri-Pack

By Maggie Urry

JEFFERSON Smurfit Corporation, 78 per cent owned, North American subsidiary of Jefferson Smurfit, the international paper and paperboard packaging group, has agreed to buy Tri-Pack Corporation.

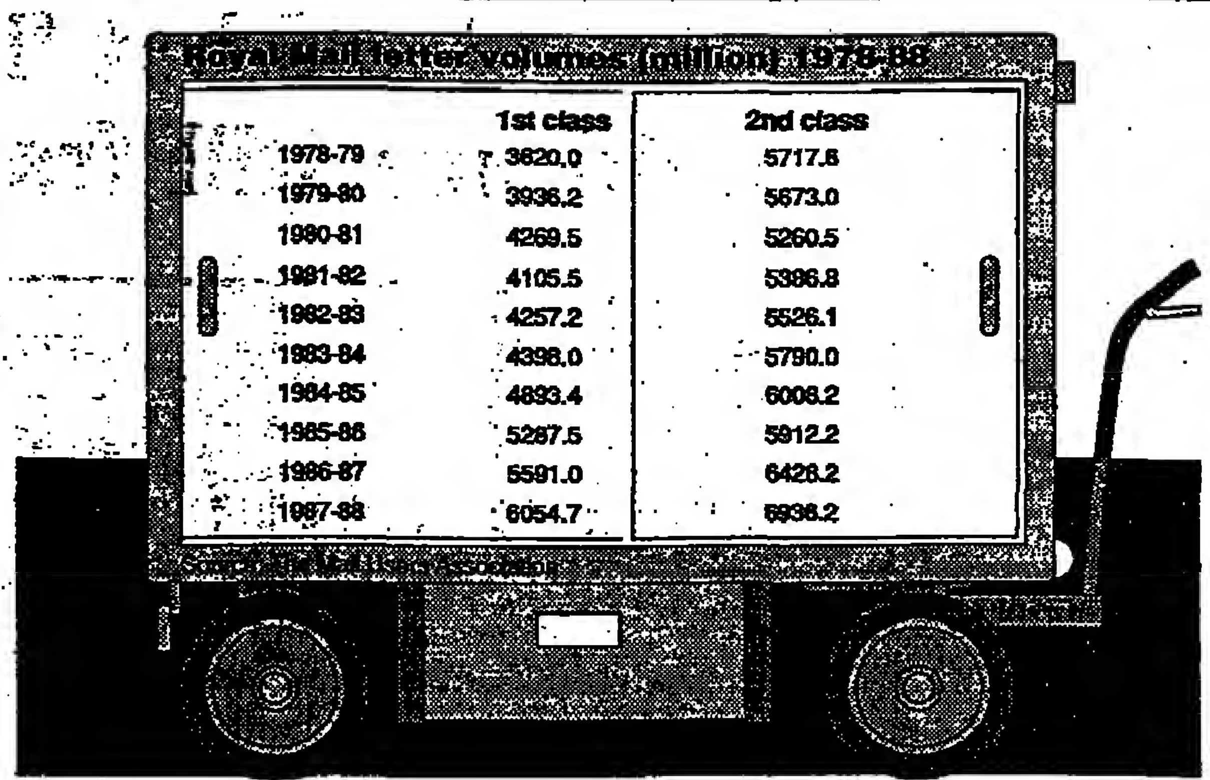
Tri-Pack makes corrugated point-of-sale display products. The price was not revealed.

Tri-Pack will operate as a separate unit of Smurfits container division. It has converting facilities in Chicago, Illinois, and northern New Jersey with sales offices in Cincinnati, Ohio, and Dallas, Texas.

Mr Bill Thompson, head of the container division, said the acquisition would enhance Smurfit's expertise in value-added graphics.

A letter in the hand is worth two in the post

Paul Abrahams looks at the uses of technology in the battle to deliver the world's mail



Royal Mail letter volumes (million) 1978-88

	1st class	2nd class
1978-79	3620.0	5717.6
1979-80	3936.2	5673.0
1980-81	4269.5	5260.5
1981-82	4105.5	5396.8
1982-83	4257.2	5526.1
1983-84	4398.0	5790.0
1984-85	4893.4	6008.2
1985-86	5287.5	5912.2
1986-87	5591.0	6426.2
1987-88	6054.7	6936.2

"NEITHER RAIN nor snow nor heat nor gloom of night stops these couriers from the swift completion of their appointed round." The problem is that when these words, the unofficial motto of the US Postal Service, were written, there were not that many letters to deliver.

Today, national postal services are struggling with ever increasing volumes of mail — and are beginning to buckle under the pressure. Meanwhile, international courier groups such as DHL and Federal Express have stepped into the fray, skimming off the most lncrative parts of the market and using technology to ensure safe and speedy delivery.

Last year, the UK Post Office handled 54m letters a day — an increase of nearly 40 per cent on 10 years ago. And that volume is small compared with the 500m items sorted daily by the US Postal Service (USPS).

Laments about mail services in both the UK and the US are far from uncommon. The Mail Users Association, which represents 500 UK companies, complained last month that during the first three months of this year only 84 per cent of first class letters arrived within the Post Office's deadline of next day delivery.

Traditional postal services have joined the courier companies in investing heavily in management information systems and automatic identification technology, hoping that this will improve speed of delivery and increase both their own and their customers' competitive advantage.

Last year, Federal Express, the Memphis-based delivery company, invested about 5 per cent of its gross income of $5bn (£3.1bn) on such technology to improve its services. DHL, the courier company based in Brussels, is unwilling to give a figure, but says that it is also committed to substantial investment.

Both DHL and Federal Express use bar-code technology to track each item from pick-up to the final hand-over. A typical cycle is as follows.

● As the package is collected it is given a bar-code which is read by a portable laser scanner attached to a hand-held computer. Both DHL and Federal Express use products supplied by Hand Held Products, of Charlotte, North Carolina.

● When the courier enters the pick-up van, he attaches the computer to a radio frequency transmitter which relays information — details of the time the package was picked up, the day of the week (relevant for air schedules) and whether the item has priority status — to a local collection centre.

At Federal Express, the hand-held computer has a 400 kilobyte program containing details about the flights used by the company. It works out the best route for the package so that the employee is no longer required to remember particular flights.

All the information is then retransmitted from the local centre to a mainframe computer at headquarters. The mainframe supplies lists of contents of packages to the relevant customs authorities before the flight arrives, reducing the amount of time it takes to process time-sensitive items.

● At each stage of the journey, the package is logged into the mainframe computer using a laser scanner — a minimum of six times according to Federal Express.

● When the package is handed over to the addressee it is scanned for the last time using a portable computer and light wand, which records the final time of arrival.

"The investment in information management systems is, despite its high price, cost-efficient," says Chris Demos, business adviser in strategic integrated systems at Federal Express. "It allows us to see if something is going wrong or going to go wrong before it happens. We can then remedy it, instead of waiting for customers to complain. By doing that we retain our client base."

Such information is critical to the company's success, says Demos. He points out that last year the company handled 22 per cent more packages than in the previous year while the number of problems associated with pick-up, transit and delivery declined by 10 per cent.

The level of investment needed to provide this sort of service is not feasible for large volumes. During the UK postal strike last year, the courier companies admitted that they simply could not handle the quantities sorted on a daily basis by the Post Office.

However, both the USPS and the UK Post Office are trying to improve their delivery rates by investing heavily in automated sorting equipment.

The USPS recently announced a five-year $5bn programme to sort 100 per cent of mail automatically by 1995. At present, 25 per cent of the 500m items delivered daily are sorted using bar-codes. So far, it has installed 406 optical character recognition machines and will be awarding a contract for another 346 early this month.

These machines read typewritten addresses at a rate of about 10 to 12 a second and then print a bar-code at the bottom of the letter using ink-jet technology. The bar-code represents the traditional Zip code and an additional four digits — allowing each item to be sorted according to individual houses and floors in high-rise buildings.

For hand-written addresses, the USPS plans to film the mail using video cameras. The cameras will send an image of the address to staff who encode the envelopes from remote sites across the country. The data is then sent back to the ink-jet printer at the local post office.

Once the mail receives a bar-code, it is then handled by automatic sorting machines capable of reading about 35,000 envelopes an hour. The USPS plans to purchase between 6,000 and 8,000 of these machines, some of which will be used at local post offices.

"On average a postman makes 470 individual deliveries a day and spends about four out of every eight hours sorting the mail into the right order for him to make his rounds," explains Peter Jacobson, an assistant postmaster general at the USPS.

"The new machines will read the extra four digits of the Zip code and sort the mail into the actual order the postman needs to make his deliveries. This will release him for an extra two hours and allow him to increase the number of rounds he can make."

The Post Office in the UK is also investing in automatic identification technology although the scale of its three year programme is more modest — £620m. The aim is to increase the percentage of mail arriving on the next day to 90 per cent. The technology is similar to that in the US except that it uses machine-readable phosphorescent dots, spaced in a digital pattern which represents a binary code.

Mail passes through optical character recognition machines which read typed addresses and use ink-jet printers to place the blue dots on the envelopes. Hand-written mail is keyed in by hand. Robin Birch, head of group engineering at the Post Office's research and development centre, admits that most sorting errors are currently caused by poor key-stroking.

Once coded, the mail moves to a sorting machine. Each envelope is irradiated with ultra-violet light which makes the phosphorescent dots glow. The light reflected from the dots is picked up by a device called a photo-multiplier tube which recognises low levels of light and converts them into digital signals. This directs the mail to the relevant sorting stacks.

"About two-thirds of UK sorting offices have these machines and the system should be highly efficient," says Robin Birch. "But we are held up in the UK by the low usage of the post-code."

Birch explains that in the Netherlands, where a similar system was introduced 10 to 15 years ago, about 95 per cent of mail is coded. But the British address only 70 per cent of letters with the post-code, despite the fact it was first introduced in 1959.

That figure means that much of the investment in new technology could be rendered redundant. If 30 per cent of letters do not have a post-code, it is not surprising that 36 per cent of mail fails to arrive the next morning.

Fast route from peanuts to documentary credit

William Dullforce looks at a software package developed by a peanut trader which has been sold to banks throughout Europe

Peanuts can lead you anywhere, René Cohen Dumani tells those who smile when he introduces himself as a peanuts trader. And he is not just thinking of Jimmy Carter, the peanut farmer who became US President.

For Cohen Dumani and his two brothers, their profitable Lausanne-based peanut trading business led to the development of a computer software package called Credoc which promises to transform banks' documentary credit operations.

Two weeks ago (May 18) Data General, the US computer manufacturer, announced that it was going into partnership with Micro Informatique et Technologies SA (MIT), an offshoot of Tracomin, the brothers' trading company, to market Credoc in Europe.

Cohen Dumani claims "in all due modesty," that Credoc is years ahead of the competition. Iain Davidson, Data General's European marketing director, says the deal goes far beyond a normal distribution agreement between hardware and software producers. It is the first time Data General has been prepared to take full responsibility for an applications solution developed by another company.

After a few minutes' explanation, a software package for documentary credits produced by a peanuts trader in Lausanne seems less peculiar. This pretty Swiss town on the northern shore of Lake Leman houses the headquarters of some of the world's biggest commodity traders.

The volumes in which the traders deal are so large in both physical and credit terms that they call for a special relationship between merchant and banker. In particular, the trader wants swift and accurate execution of documentary credits. This means that the banks competing for the business must balance the demand for speed with the need for time to assess the risks.

Over the past 20 years the Cohen Dumani brothers have turned Tracomin into one of the leaders in the peanuts business. In 1975, René explains, seeking to improve efficiency, they caught the computer bug.

MIT was born at the beginning of 1984. By combining their passion for computers with their interest in the banking operations required by an international trading company the brothers discovered a market niche, where, Data General's Davidson says, there is practically no competition.

A bank's documentary credit department is often one of those handling its biggest business volumes but Marcel Cohen Dumani estimates that less than one-third of European banks have computerised their documentary credit operations. Even then, in most cases computerisation amounts to "a word processor from which some limited data can be extracted."

Davidson refers to a market survey which indicated that 90 per cent of European banks still did documentary credit work by hand but also pointed out that 60 per cent, spurred on by the advent of the single European market, were planning to buy computer equipment over the next five years.

His target is some 400 main users, of which only about a quarter currently have systems of any kind. Big banks, such as the UK's NatWest and Lloyds, had spent "millions" in developing software to fit their mainframe equipment. MIT's package, using Data General's computers which are totally compatible with other manufacturers' computers, including IBM's, offers each bank a tailor-made solution.

Banks are now more open to buying solutions from outside, according to Marcel Cohen Dumani. The cost of MIT's system works out on average at around SFr 30,000 (£10,900) per terminal for 10 terminals.

Credoc has taken two years to develop and is now in its fifth version. It was pilot tested at the Banque Cantonale Vaudoise (BCV) in Lausanne and has been sold to 10 banks in Switzerland, France, Austria and Portugal, including Credit Suisse and Paribas.

Speed, flexibility and the range of data available are cited by the Cohen Dumani brothers as Credoc's main assets. One Swiss bank sent in time and motion assessors, chronometers in hand, to check MIT's claims of speed advantage. They found that the average time taken to handle a documentary credit tumbled from around 50 minutes under their old method to 7 minutes with Credoc, according to MIT.

Italo Marroni, head of the documentary credit department at BCV, a medium-sized Swiss bank, estimated that it took his staff 10 minutes on average compared with an hour or more under its previous system. He reported a 70 per cent increase in the number of credits handled by BCV since it started using Credoc two years ago. The number of staff has remained unchanged at 11. Last year the volume of business reached SFr 750m.

Credoc makes decision-taking and risk assessment easier, because it cuts the time spent on administrative detail and provides ample on-line information. A bank can respond faster to inquiries which call for checking, quickly giving information such as its exposure in Brazil or its previous experience with an African bank.

The MIT package communicates by telex and Swift, the banks' clearing system, and is said to interface well with the equipment most banks use for their internal systems. Communication by fax would be possible technically, although there could be no direct input into the MIT system as with telex. Fax also poses greater security problems but Davidson says Data General and MIT are "working on it."

Documentary credit departments in banks are likely to be among the last to go over to electronic data exchange. Much of their business is with Third World countries which will not be able to accept electronic documents for some years to come.

MIT believes the toughest resistance to Credoc will come from the banks' own systems staff. The documentary credit operators love it, according to BCV's Marroni, but MIT's experience is that the computer specialists, most of them used to IBM equipment, need a lot of talking to.

COMMODITIES AND AGRICULTURE

Renewed squabbling threatens Opec's fragile unity

As the oil cartel's ministers gather in Vienna, **Steven Butler** assesses the chances for policy agreement

THE THEORY that the Organisation of Petroleum Exporting Countries was becoming rational appears to have had a short shelf life.

There was plenty of talk about this following Opec's momentous November ministerial conference, where oil ministers signed a full 13-member agreement for the first time in two years, re-admitting Iraq to the quota system on terms equal to those of its rival Iran, and setting a production ceiling at 18.5m barrels a day.

After the meeting, the Opec countries began to scale back production and prices rose accordingly – from a low of about $11 last October to over $20 in April for North Sea Brent crude. Prices have since drifted back – with Brent crude for June delivery off 15 cents at $18.07½ yesterday – following a resumption of oil flows from the North Sea, which had been affected by a series of accidents.

A mid-term review of the market in late March, attended by nine ministers in Vienna, produced accolades from commentators that Opec was even learning to bury its internal squabbling in the interest of presenting a solid public front that would reassure markets.

Alas, this now appears to have come unravelled as Opec ministers jockey for political advantage in advance of the semi-annual ministerial conference in Vienna, where production ceilings and quotas are to be set for the second half of the year.

The meeting opens formally on Monday, although all 13 members are expected to show up today for a series of meetings and private bargaining sessions.

The original idea was that eight heavy-weight members of Opec's ministerial monitoring committee would butt heads in advance of the formal gathering in hopes of agreeing a common strategy, but apparently none of the other five members wanted to be left out. So they have all come early.

They will have quite a lot to talk about. Opec last month produced over 21m b/d of oil, more than 2.5m b/d above its self-imposed production ceiling. Even though oil put into storage does not "count," under the Opec definition, no one believes the cartel is producing anywhere near its ceiling even by its own reckoning, and some members are cheating grossly on their quotas. The oil price has only been saved by unexpectedly high demand along with production difficulties in the North Sea and Alaska.

Sheikh Ali Khalifah Al-Sabah, the Kuwaiti oil minister, fired the opening shot for the present meeting as early as March, when he suggested that Opec should lift its production ceiling to 20m b/d and allot most of the increase to Kuwait and the United Arab Emirates, while tossing a few crumbs to Gabon and Ecuador.

To back up the demand, Kuwait has lifted production close to 1.6m b/d, excluding the Neutral Zone between Saudi Arabia and Kuwait, and has let word get around that it may pay scant regard to its quota in the second half of the year if it does not get its way. Its production quota is less than 1m b/d.

No less a personage than King Fahd of Saudia Arabia has directly rejected the Kuwaiti position. He has said that any increase in the Opec production ceiling, which may or may not be advisable, should be distributed to members on a pro rata basis according to current production quotas.

The King brought more confusion when he remarked, with apparent approval, that prices would hit $26 a barrel by next year if Opec members stuck to their quotas. Many analysts believe the King was actually sending a message to Kuwait, which opposes high oil prices, to try to dissuade it from pushing ahead with its proposals.

The waters were further muddied when Mr Hisham Nazer, the Saudi Oil Minister, recently called for the scrapping of Opec's $18 price target and adoption of a $15 price floor. This week Mr Nazer told the New York Times he would withdraw the price floor proposal, which some Opec members feared would become a new target, but still wanted to do away with setting an official reference price. Instead, he would let market forces determine the price after Opec decided how much to supply.

Meanwhile, relations between Iran and Saudi Arabia appear to have taken a turn for the worse, introducing a possibly poisonous political variable into the meeting. Venezuela is unhappy that so much of its condensate production has been classified as oil under Opec definition adopted six months ago.

To top off the confusion there are hints that Saudi Arabia may after all climb down from its position and agree some sort of compromise with Kuwait.

Most analysts are looking into this welter of proposals and positions and concluding that whatever comes out of the meeting is unlikely to shake the oil markets very hard. Behind this conclusion is a conviction that what Opec members want more than anything is broad stability.

Even while it is producing 21m b/d most analysts believe that because of the strength demand the market is roughly in balance, and that Opec could continue producing at this level, but not above it, in the second half of the year without causing a collapse in prices. The only fear would be if the meeting ended in disarray, causing members to exceed these levels.

So far, however, the bitterness of disagreements among members is, by Opec standards, fairly tame.

All Opec members this year have so far enjoyed unexpectedly good revenues from oil sales. Although few will be happy about giving Kuwait or the UAE a special quota allocation, if this takes place in the context of rising production and revenues for all Opec members it is obviously easier to swallow – especially if it appears to buy production restraint from the two.

Since 1985, Opec has made five special quota allocations and there is little reason why it should not do the same this time around. Venezuela is likely to have the strongest objections to this move, but it could perhaps be satisfied by a compromise stand on the issue of condensate production.

The Saudis have so far played the most confusing game. But there is some logic behind their call for an end to reference prices.

The record shows that Opec is not capable of reaching both price and volume targets because the market is unpredictable. By abandoning the price target of say $18 a barrel some believe a big psychological incentive to cheat on quotas would be removed. In the past, Opec production discipline has disintegrated when the price target has been reached, although it remains to be seen if members would not cheat on their quotas whenever they felt prices were high enough.

Opec would do well to settle these issues this time round, because in at the next meeting in six months Iraq, for one, will have a much greater export capacity than today, and is expected to want to play a bigger role in the cartel.

Who knows, the Opec-is-rational thesis may not, after all, have passed its "sell-by" date.

Brisk re-start for tin trading on LME

By Kenneth Gooding, Mining Correspondent

THE RESUMPTION of tin trading on the London Metal Exchange yesterday after a break of three-and-a-half years got off to a brisker start than generally anticipated.

Although there were wide open spaces in the ring (trading area), the 18 traders who were present dealt in an estimated 390 tonnes of tin at relatively high prices.

Tin for delivery in three months traded in the range $10,300 to $10,355 a tonne, compared with $10,100 for spot metal in the European free market on Wednesday.

The last three-months business in October 1985 – just before LME dealings ceased after the International Tin Council's buffer stock manager ran out of cash to support the price – was at the equivalent of $12,200.

In a reference to the activities of the ITC buffer stock manager, Mr Christopher Green, chairman of the LME, pointed out that tin was trading for the first time in 30 years "with no one in the background distorting prices."

Traders had been anticipating a fairly cautious restart with most potential large operators (producers, consumers and merchants) likely to remain on the sidelines until a definite trading pattern emerged.

But, contrary to expectations that volume would be small, it is estimated that 1,740 tonnes of tin changed hands in the rings yesterday.

Traders said the market was still being fuelled by the supply tightness which had driven the tin price up by 40 per cent so far this year. They suggested the price was likely soon to touch the $10,800 for spot metal reached recently on the free market – the highest level for three years.

Some traders were forecasting high premiums would be commanded for tin for nearby delivery because current LME warehouse stocks, at a record low of only 5 tonnes, were unlikely to increase significantly over the next few months.

Mr Green said he was not particularly worried about stock levels. "For the past three-and-a-half years we have contemplated putting tin into LME warehouses because there has been no LME contract. The stocks will appear when it is necessary," he insisted.

Mr Green pointed out that in any case, the first tin traded yesterday would not have to be delivered before July 3.

However, he said he would not be surprised to find LME tin going into backwardation, where the price for immediate delivery is above the three-month price.

The new LME tin contract differs from its predecessor in that it is now quoted in US dollars rather than sterling and is for high-grade material (99.85 per cent purity). There is also now a forward facility for up to 15 months.

Commonwealth sugar growers fear a caning from Europe

Canute James on the reaction from Caribbean producers to a price cut proposal from the Community

SUGAR producers of the Commonwealth Caribbean, who already face a progressive reduction in the quantities they are allowed to ship to the US, are fighting what they say is the start of a threat to their most important market, the European Community.

The producers have rejected the Community's proposed 2 per cent reduction in the price it pays for the 1.3m tonnes that it imports annually from the African, Caribbean and Pacific (ACP) group, under the sugar protocol of the Lomé Convention.

With their production costs above what they would be paid on the open market, the Commonwealth Caribbean producers have been increasingly apprehensive about their reduced access to the US market. At a recent meeting in Barbados, the Sugar Association of the Caribbean, a federation of producers, saw the proposed price reduction by the European Community as a threat.

"The price received for sugar supplied to the EC remained the principal source of income to all the sugar industries which were members of the association," the group said. "Any reduction, especially following a period of prolonged frozen prices, is a matter of great concern."

A 2 per cent reduction in the price paid by the Community would cost the producers about US$5m per year, the association said. So narrow are the margins on which the region's industries operate that such an apparently small drop in earnings could force some countries into far-reaching decisions on cane farming and milling.

The producers have asked the region's governments to argue against any reduction in the EC price, suggesting that this be kept separate from other issues such as additional quotas arising from Portugal's membership of the Community.

"Although the European Commission has raised the issue of compensation for the ACP in the context of the sugar price," the association said, "at this stage the maintenance of the ACP price remains the primary issue from which the ACP negotiators should not be diverted."

The likelihood of a reduction in price has coincided with a period of difficulty for some of the Commonwealth Caribbean producers. Guyana, which has traditionally been the group's principal producer, still has to ship about 45,000 tonnes (white value) to fulfil its quota for the current delivery period, which ends in June. The country has a 167,000 tonnes annual quota.

Guyana has already declared a shortfall of 30,870 tonnes, and will declare a further shortfall on June 7. The country will not attempt, however, to carry any of its shortfall into the 1989-90 delivery period. Guyana's industry was hit by a six-week strike earlier this year. This severely reduced output in the first of the industry's two harvests.

The strike has compounded difficulties for the industry which last year produced 167,550 tonnes, 24 per cent below 1987 output, following changes in weather which affected both planting and harvesting. The industry has set an annual production target of 240,000 tonnes which is enough to satisfy its quotas in the European Community, the US and the domestic market.

Trinidad and Tobago's industry has done comparatively well this year. The harvest has ended with output of 97,000 tonnes, which is 3,000 tonnes below the target for the year. Production was aided by favourable weather, according to officials at Caroni, the state-owned producer. But the industry is far from achieving financial viability, in spite of rationalising its operations with a reduction in the land under cane and the number of mills. The industry expects to lose about $47m this year.

The Jamaican industry, which is aiming at production of 240,000 tonnes per year, has been troubled by sporadic strikes on some farms, and more recently by several fires which have damaged hundreds of acres of canes just before they were reaped. The industry had forecast output at 221,000 tonnes for this year, but officials say actual output may fall just short of this.

The prospects in Barbados are not as bright. The industry has not met its 80,000 tonnes target for this year. According to officials of Barbados Sugar Industry Ltd, output is about 68,000 tonnes, which they said is the lowest since 1931. A long dry spell affected the crop, they said.

While arguing against a reduction of price paid by the European Community, the region's producers are sometimes faced with difficulty in meeting their market commitments because of production shortfalls. Failure to meet the European quota not only reduces income, but carries a threat of a loss of the part of the quota.

Some producers have been forced in the past to use all their production to meet their overseas commitments, at the expense of their domestic markets. This, on the surface, makes economic sense. Earnings from the US and Europe are guaranteed, while domestic demand is met by buying fairly cheaply on the world market.

Guyana last year imported just over 3,000 tonnes for its domestic market, but this practice is not favoured by the European Community which has told Caribbean governments as much.

Barbados faces a similar problem this year. Meeting its European quota of 54,700 tonnes, the US quota of 7,500 tonnes and domestic needs of 12,000 tonnes demands 6,200 tonnes more than was produced this year. Mr Errie Deane, managing director of Barbados Sugar Industry Ltd, says the country will not default on its EC quota.

"The industry has a special mechanism to deal with any shortfalls," he said, adding quickly: "I won't say what that mechanism is."

Brazil delays plan to privatise sugar exports

By John Barham in Sao Paulo

BRAZIL HAS delayed once again implementation of a decision to remove the monopoly of its Sugar and Alcohol Institute (IAA) over sugar exports.

On Wednesday evening, the Government decided to postpone privatisation until October. The institute's monopoly was to have ended on Monday.

The IAA regulates the sugar and alcohol industry and at present acts as sole agent for the country's overseas sugar sales.

The institute also subsidises inefficient producers in the impoverished north-east of Brazil at times of low international prices.

The Government had originally planned to privatise exports in June last year, but was forced to back down for political reasons.

Sugar producers are influential power brokers in the north-east.

The Government had also planned to introduce a buffer stock in an attempt to regulate market prices, with purchases being financed out of an export tax. Producers insist, however, that an export tax would be unconstitutional.

Mr Reynaldo Alcantara, exports director at Copersucar, a sugar and alcohol co-operative, said: "The same problem will come up again in October. They should begin privatisation in January." Producers say a tax cannot be introduced until 1990.

Furthermore, the deeply indebted producers must prove that they have settled their debts with the Government before they will be able to obtain export licences.

Some members of the Government are angry that the institute had signed export contracts with prices set below the current market level.

An IAA official stated that the institute would continue to export normally. It is reported to have contracted to export 350,000 tonnes of sugar this year.

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC PRICES came under renewed pressure on the London Metal Exchange as the three months position for high grade metal broke through a support level around $1,500 a tonne. With fresh supplies of special high grade becoming available the cash prices for both grades were particularly weak and the high grade cash price closed $27.50 down at $1,530 a tonne, narrowing the premium over three months to $38.50 from $48.50 at Wednesday's close. Copper and aluminium were also weak, the former reflecting easier nearby supplies with a further widening of the backwardation. Cash copper ended £19.50 down at £1,633 a tonne, while the three months position lost £15.50 at £1,648.50 a tonne. In contrast lead regained some of this week's losses with an £8 rise to £403 a tonne in the cash position.

US MARKETS

IN THE METALS, gold, silver and platinum trading was slow due to a steady US dollar and the upcoming unemployment report, reports Drexel Burnham Lambert. Copper was the days most active metal, as prices sank 325 points basis July. Trade selling elected stop orders, fueling the sell-off. In the softs, sugar futures rallied sharply on short-covering and rumours of Chinese tender business. Cocoa prices gained for the second straight day. Fund selling weakened the coffee market. Cotton futures were lower with commission house activity. The energy complex was again quiet as many traders still await the outcome of Monday's Opec talks. In the grains, soybean futures were pressured by liquidation continues to weigh on the market. Heavy rains on Wednesday also added to weakness. Corn and wheat trading was featureless as each closed nearly unchanged. The livestocks were all higher as reduced hog runs and higher cash prices rallied the markets.

New York

Chicago

LONDON STOCK EXCHANGE

Another troubled session for equities

THE BUNDESBANK'S decision to hold German interest rates unchanged brought some relief to a UK stock market beset again yesterday by worries about the outlook for British rates as well as by more general worries about domestic monetary policies. However, share prices suffered further losses and traders took a cautious view of a late rally which enabled the Footsie Index to cling on to the 2,100 mark.

It was an erratic trading session, with the equity market proving vulnerable to wild tales of impending developments, often originating in the foreign exchange dealing rooms.

Account Dealing Dates

First Dealings:	May 22	Jun 5	Jun 19
Option Declarations:	Jun 1	Jun 15	Jun 29
Last Dealings:	Jun 2	Jun 16	Jun 30
Account Day:	Jun 12	Jun 26	Jul 10

*New time dealings may take place from 9.00 am two business days earlier.

The advance was halted and then reversed when London traders took fright ahead at the news that Mr Nigel Lawson, the UK Chancellor of the Exchequer, would address a press conference in Paris following the meeting of OECD ministers. The wildest tales circulated as the market waited for news – the Chancellor's resignation and/or a return to over-funding by the UK Government were among the most favoured.

Selling of the Footsie future contract was quickly translated into a fall of nearly 20 points in the FT-SE Index, taking it down to 2,094.8, and challenging the new trading range of 2,090-2,100 assumed by many traders. The nervousness ahead of the Chancellor's press conference at first outweighed the benefits of the favourable decision by the Bundesbank.

The London market sounded greatly relieved when Mr Lawson's Paris statement proved an effective restatement of existing UK Government views on inflation, and equities staged a somewhat halting rally.

At its final reading, the FT-SE Index showed a loss on the day of 11 points to 2,103.4. While traders were happy to see the Footsie 2,100 level held, there were doubts over the soundness of the closing rally. County NatWest WoodMac warned clients that the Footsie, having fallen through 2,150, has no "obvious" chart support until 2,014.

Turnover remained high yesterday, with Seaq volume rising from Wednesday's 458.4m shares to 512.5m. Some traders had reports that an Arab investor was lightening his London equity portfolio; also unsettling were renewed hints that another big name might pull out of equity marketmaking in London.

The closing picture was brightened a little by selective demand among some of the blue chip issues which make up the Footsie Index. US buyers, spurred by a firm opening on Wall Street, showed interest in several UK leaders, notably in electronics, where Goldman Sachs, the large New York securities house, was active. Jaguar and BAT Industries were others to attract the attention of transatlantic investors.

FINANCIAL TIMES STOCK INDICES

	Jun 1	May 31	May 30	May 26	May 25	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.85	85.43	85.88	86.20	86.06	89.50	89.29 (9/2)	84.85 (1/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.37	96.94	96.92	96.91	96.87	98.36	99.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1745.8	1765.7	1765.3	1778.8	1777.3	1443.4	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	171.5	173.5	172.6	171.2	170.4	224.0	198.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	Jun 1	May 31	May 30	May 26	May 25	Year Ago
Ord. Div. Yield	4.56	4.53	4.50	4.47	4.47	4.58
Earning Yld %(full)	11.04	10.97	10.90	10.82	10.83	11.78
P/E Ratio(Net)(*)	10.87	11.04	11.11	11.19	11.19	10.40
SEAQ Bargains(5pm)	25,853	26,655	26,337	24,602	24,160	27,761
Equity Turnover(£m)†	-	1589.84	1266.61	1331.51	1233.75	1190.75
Equity Bargains†	-	28,175	29,389	26,750	26,169	28,973
Shares Traded (ml)†	-	606.2	457.8	495.5	458.2	491.4

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1760.1	1759.0	1750.0	1740.4	1742.7	1743.5	1744.8	1745.2

DAY'S HIGH 1763.5 DAY'S LOW 1740.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 10.67 †Excluding intra-market business.

S.E. ACTIVITY

Indices	May 31	May 30
Gilt Edged Bargains	125.4	98.2
Equity Bargains	182.5	190.5
Equity Value	3213.5	2569.2
5-Day average		
Gilt Edged Bargains	112.0	108.4
Equity Bargains	180.6	180.8
Equity Value	2813.8	2770.9

● London Report and latest Share Index: Tel. 0898 123001

Differing views on Ferranti

An unchanged share price of 101p in Ferranti shares masked a titanic battle in the market yesterday. "We're seeing a massive two-way struggle between the bulls and the bears in this stock with both camps firmly entrenched," commented one marketmaker. Volume reached 18m shares, substantially above normal levels.

BZW and Henderson Crosthwaite were said to be on the bull tack while Kleinwort Benson and Hoare Govett are believed to be leading for the opposition. The tussle between the two camps was said to have been triggered by a big placing of shares in the morning; the Seaq trading screens recorded one deal of 4m shares. Thereafter, the action was fast and furious, with hints in the market that news was pending on the defence electronics group.

Mr Brian Newman at Henderson Crosthwaite, highlighting the bull points, said the share price, "discounts the poor short term trading performance," and that its long-term potential made the company "vulnerable to a bid." He reckoned the Eurofighter contract would have a total manufacturing value of some £1.5bn and would make the Ferranti consortium a "world leader in military airborne radar."

Mr Simon Street at BZW was "very positive on telepoint (public cordless telephone)," seeing any downside in Ferranti shares as "protected by bid possibilities." But Mr Bruce McInroy at Hoare Govett said the Ferranti share price, "is higher than any likely bid price; on fundamentals the correct price should be around 80p."

Ferranti's preliminary figures are expected next month and forecasts for pre-tax profits range between £80 and £87m, down from earlier expectations of up to £120m.

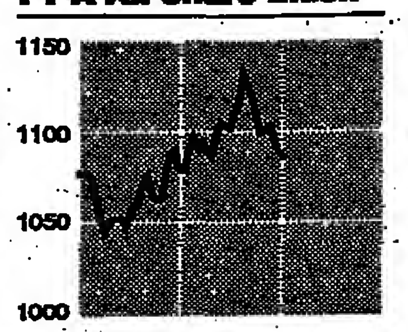
Flurry in Steel

A busy day's trade in British Steel ended on a high note as traders caught wind of a bullish circular from James Capel, the London agency broker, to be released this morning. The stock added a penny in the closing minutes of business to end at 89p, in the partly paid form. Turnover was 24m shares. Buying interest was seen from the US, Japan and Switzerland, and one marketmaker was said to have been short of the stock.

Mr Ewan Fraser of James Capel is reiterating his buy recommendation. He says that on the fully-paid basis Steel has shown a 22 per cent gain since December but that most other European steel majors have gained 40 per cent or even 50 per cent in value. "There is scope for British Steel to catch up," says Mr Fraser. "Demand for steel from the West German capital goods market is buoyant, and the German market sets the prices." Capital goods are a more stable source of business than the volatile auto market, a traditional destination for steel.

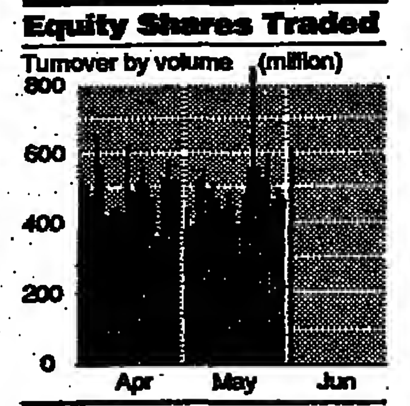
British Steel's full year figures are due on June 15th; the stock goes xd on the 19th. Mr Fraser is predicting profits of £575m and has pencilled in £600m for the year to March 1990, "but that figure is looking increasingly conservative." He adds a rider that much depends on whether there is an effective dock strike in the UK.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Storehouse gloom

A slump in annual profits from retail group Storehouse cast a pall of gloom over an already depressed stores sector. Full-year profits of just £11.2m (after exceptional costs of nearly £90m) was below the range of market estimates, and while the group maintained its final dividend of 6.3p, news of current trading left no room for optimism. Storehouse closed 4 lower at 165p on turnover of 4.2m shares.

Mr John Richards of County NatWest WoodMac said: "The figures were gloomier than even the worst pessimists had feared. Storehouse are stuck with the unhappy equation of no real sales growth and costs going up." The County analyst has reduced his forecast for this year's profits by £20m to £55m, which is around the middle of the new range of City estimates. Nearer the bottom is Mr Nick Bubb of Morgan Stanley, who thinks Storehouse will make no more than £48m in 1989/90. Mr Bubb was particularly dismayed by last year's contribution from the Habitat furnishings chain; "a complete disaster" was his description.

There was also little cheer for shareholders on the bid front. The consensus among analysts was that Mr Asher Edelman, the US entrepreneur with 8.1 per cent of Storehouse was unlikely to make an offer *for the group now. "In the current retail climate there is no quick fix for Storehouse, no hidden potential for either the existing management or Edelman to unlock,"* warned Mr John Richards of County.

BAT climbed 7 in the last hour of trade on the suggestion that a New York broking house had estimated the company's break-up value at $20 (1272p) a share. The shares closed a net *3 higher at 568p on turnover of* 5.2m shares.

Engineer Siebe jumped 7 on the announcement of a 30 per cent profits rise but then fell rapidly in the weak market to close a net 5 lower at 508p. Turnover was busy in both directions as 2.6m shares changed hands.

Westland Group posted a 39 per cent fall in interim profits to £8m, well below expectations, and dealers marked the price down 6 to 128p. Westland Warrants shed 3 to 53p, after 51p. There was little selling pressure, however, as investors waited to see whether GKN would move to increase its 22 per cent stake in Westland. But dealers felt that GKN could afford to keep its options open and the shares firmed 3 to 390p.

A single buyer was said to have bought a large block of Jaguar for 350p in early trading and the shares touched 349p. They weakened with the general market slide before perking up before the close to finish a net ¼ to the good at 346¾p. The recovery was helped by a suggestion that Morgan Stanley had said the company could be worth $12 (764p) a share. Turnover was 8m shares.

The life assurance market provided an outstanding feature in London & Manchester which raced ahead to close 9 up at 232p, after 284p on buying prompted by revived takeover speculation. Recent stories of stake-building were confirmed last week when it was revealed that Eagle Star, BAT's insurance division, had acquired a 4 per cent holding.

Nomura, the Japanese securities house, was a strong buyer yesterday. Mr Trevor May, insurance analyst at Nomura, and a bull of London *& Manchester, described* the life group as "very much a bid candidate." He said its direct sales force would be an attraction for Eagle Star whose business comes mostly from independent brokers.

Whisky distiller Macdonald Martin saw its "A" shares rise 55 to 1805p after unveiling an 83 per cent jump in 15 month profits to £3.75m.

Heavy trading in George *Wimpey shares* was said to have been prompted by two large trades of 2.3m shares apiece. Dealers said the sales could well have been FAI, the Australian insurance group, reducing its stake in Wimpey; the latter's shares settled a net 2 off at 279p on 6.1m.

Stores were noticeably weaker with sentiment depressed by fears of interest rate rises and the worse than expected results from Storehouse. Among the leading declines were Kingfisher, down 10 at 290p on turnover of 1.6m shares and still suffering from a recent sell recommendation.

Ratners rose 9 to 246p stock ahead of today's presentation to institutions at the company's broker, County NatWest WoodMac.

The electronics/telecoms arena included some of the market's biggest activity. British Telecom came under pressure after releasing preliminary results at the bottom of the £2.45bn to £2.5bn market range of forecasts. The shares were sold down to 251½p when the figures were released but later steadied to close a net 4 lower at 253p; turnover was 10m shares.

Mr Patrick Wellington of County NatWest described the results as "disappointing, even in the light of the market's reduced expectations," a reference to the spate of profits downgradings that have taken place of the past couple of months. Mr Wellington has reduced his forecast for 1990 pre-tax profits to £2.55bn from £2.68bn.

The Racal twins, Electronics and Telecom, revived after their recent spell of relative inactivity following positive recommendations on both stocks from Goldman Sachs, the US house which has championed the issues since the Telecom flotation last year. In the background were vague hints of a possible bid for one of the US cellular companies and a rather wild story that *General Electric of the US* was considering a bid for the Racal companies.

Mr Barry Kaplan, Goldman's Racal analyst, has increased his estimate of Telecom's asset value to 680p a share and that of Electronics to 910p a share. Mr Kaplan said: "Racal Electronics is an attractive means of buying into Racal Telecom, its 80 per cent owned subsidiary, at a discount." He continued: "*Racal Telecom* is the most profitable, fastest growing cellular operator in the world, and it is a major participant in the Pan-European telecommunications revolution." Behind a wave of US buying, Electronics shares leapt 17 to 516p on 11m while those of Telecom were similarly higher at 479p on 649,000.

There was little movement in M & G Group at 327p despite *excellent* interim results and dividend. Titanghur Jute, at a quote of 1460p-1610p settled won after their recent run.

It was quieter day in Foods, with the highest turnover once again provided by Asda, a shade firmer at 168p as 6.3m shares changed hands amid continued talk of stakebuilding. There was further interest in Gateway, steady at 204p on turnover of 2.1m and buoyed *by speculation of counter bids* and management buyouts. Dealers believe that 15 per cent shareholder Mr Garry Weston will now hold out for more than the 210p-a-share offered by Isosceles, which could open the way for a rival offer around 220p.

Cadbury Schweppes were unmoved, at 347p, by the defeat of its attempt to raise its borrowing limits.

Reed International touched 398p before closing a net 6 up at 396p ahead of full year results expected on June 7.

WPP put on 11 to 685p after announcing the purchase of a London-based design consultancy for up to £12.5m, depending on the next three years' performance. However, dealers said that a deal was too small to have such an effect on the price. Instead they said that US buyers viewed the stock as undervalued against rivals. One said that volume had been good at "around 200,000."

Shares in hairdressing group Alan Paul enjoyed a successful debut on the Unlisted Securities Market in spite of the wider weakness in share prices. After opening at 140p the shares reached a peak of 165p before sellers trimmed the price back to a close of 161p and a healthy 21p premium.

MEPC, the country's second largest property group, announced a 32 per cent rise in interim earnings to £64.4m, but saw its shares fall 6 to 561p. However, MEPC has the support of broking house BZW, where analyst Mr Andrew Walker rates the stock a better buy than rival property giant Land Securities (down 7 at 558p). BZW has raised its fore*cast for MEPC full-year profits* by £4m to £124m, and is sticking with a net asset value estimate of 880p.

Doubled annual profits from Imry Merchant (£22.8m) and Control Securities (£20.8m) had been discounted by the market and Imry closed 5 lighter at 456p and Control 2½ easier at 58½p.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 32

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	6,300	168	+½
Allied-Lyons	743	436	-3
Amstrad	1,800	96	-2
Argyll Group	1,900	281	-2
Ass. Brit. Foods	163	353	
BAA	1,200	382	-4
BAT Inds.	5,155	568	+3
BET	1,300	268	+3
BICC	127	408	-2
BOC	1,800	484	+1
BPB Inds.	2,200	258	+2
BTR	2,600	365	-2
Barclays	2,500	445	
Bass	650	983	-11
Beecham	922	617	-3
Blue Circle	783	539	-9
Boots	1,700	205	-1½
Brit. & Comm.	2,400	175½	-2½
Brit. Aerospace	1,600	657	-5
British Airways	1,800	199	-1
British Gas	7,800	175	+½
British Land	2,300	349	-8
BP	4,800	290	+1½
British Steel	24,000	88½	+1
British Telecom	10,000	253	-4
Burmah Oil	318	591	
Burton	2,200	218	-2
Cable & Wireless	3,200	547	-9
Cadbury Schweppes	2,200	347	
Carlton Comms.	461	850	-11
Commercial Union	475	366	+1
Cons. Gold Fields	371	1208	-10
Cookson	678	322	-4
Courtaulds	1,500	337	-3
Dalgety	73	365	-2
Dixons	1,900	139	-4
Eng. China Clays	1,500	478	
Enterprise Oil	371	547	+6
FKI Babcock	2,000	141	-1
Fisons	2,700	299	-1
Gateway Corp.	2,100	204	
General Accident	209	958	-3
General Elect.	3,100	231	-5
Glaxo	1,600	1352	-6
Globe Inv.	341	176¼	-½
Glynwed Int.	285	295	-5
Granada	1,600	349	-5
Grand Met.	1,300	536	-3
GUS A	258	1019	+4
GRE	969	205	-1
GKN	1,500	398	+3
Guinness	2,100	488	-1
Hammerson 'A'	27	779	-2
Hanson	12,000	197½	-2
Harrisons & Cros.	822	172	-1
Hawker Siddeley	758	689	-6
Hillsdown Hldgs.	2,900	271	+1
IMI	156	229	-2
Imp. Chem.	731	1258	-5
Inchcape	502	276	-4
Jaguar	3,800	346½	+½
Kingfisher	1,600	290	-10
Ladbroke	1,400	500	-6
Land Securities	4,200	558	-7
Laporte	243	433	-1
Legal & General	1,800	308	+4
Lloyds Bank	1,300	348	+5
LASMO	3,400	462	+8
Lonrho	1,600	289	+1
Lucas	1,900	617	-2
MB Group	5,300	285	-1
MEPC	328	561	-6
Marks & Spencer	4,400	179	-2½
Maxwell Comm.	1,500	188	-2
Midland Bank	899	337	+2
Nat. West. Bank	1,700	585	+1
Next	2,875	141	
Northern Foods	341	306	-6
Pearl	241	794	+4
Pearson	194	696	-6
P & O	941	641	-14
Pilkington	5,200	223½	-7½
Plessey	1,800	263	-3
Polly Peck Intl.	4,100	282	-7
Prudential	3,500	175	
RHM	1,700	437	-7
RMC	700	739	-14
RTZ	761	498	+1
Racal	11,000	516	+17
Rank Org.	194	944	-6
Reckitt & Colman	1,000	1184	-7
Redland	1,100	570	-14
Reed International	1,400	395½	+5½
Reuters	791	903	-7
Rolls Royce	4,200	184¼	-2½
Rothmans	2,600	527	-1
Royal Bk of Scotland	[illegible]	[illegible]	[illegible]
Royal Insurance	[illegible]	[illegible]	[illegible]
STC	[illegible]	[illegible]	[illegible]
Saatchi & Saatchi	[illegible]	[illegible]	[illegible]
Sainsbury	[illegible]	[illegible]	[illegible]
Scott & Newcastle	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Shell Transport	[illegible]	[illegible]	[illegible]
Siebe	[illegible]	[illegible]	[illegible]
Slough Estates	[illegible]	[illegible]	[illegible]
Smith & Nephew	[illegible]	[illegible]	[illegible]
Smiths Industries	[illegible]	[illegible]	[illegible]
Standard Chartered	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
Sun Alliance	[illegible]	[illegible]	[illegible]
T&N	[illegible]	[illegible]	[illegible]
TSB	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	-6
Tate & Lyle	3,600	265	+1
Taylor Woodrow	427	636	
Tesco	2,700	171	-3
Thorn EMI	699	695	-3
Trafalgar House	1,300	368	-3
Trusthouse Forte	2,800	325	-6
Ultramar	561	290	-3
Unilever	2,800	528	-7
United Biscuits	1,300	331	-2
Utd. Newspapers	428	431	+1
Wellcome	454	451	-2
Whitbread 'A'	1,500	358	+3
Williams Hldgs.	2,300	248	-4
Wimpey	6,100	279	-2

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (...). AMERICANS (10) CANADIANS (4) BANKS (1) Brown Shipley, BREWERS (3) Macdonald Martin 'A', BUILDINGS (3) Douglas (Robt M.), [illegible] CHEMICALS (4) BASF AG, Bayer AG, Hoechst AG, [illegible] Crisps, Wassanen, HOTELS (1) T.H.F., INDUSTRIALS (11) Barry Wehmiller, Essetta, Expamet Intl., Green (E.), Nu-Swift, RPS Grp., Rolfe & Nolan, Securicor "A" NV, Securiguard, St. Gobain, Waterman Part., INSURANCE (1) Hibernian Grp., LEISURE (1) Boosey & Hawkes, MOTORS (2) Cowie (T.), Lookers, NEWSPAPERS (2) Independent, News Int Spec Div, PAPERS (1) Geers Gross, PROPERTY (2) Britannia Grp., Waterglade Intl., SHOES (1) Lambert Hth., TRUSTS (10) OILS (3) Barrack Energy, Pan Pacific Pet., Total-Cie, MINES (1) Willoughby's Cons., THIRD MARKET (1) Assoc. Farmers.

NEW LOWS (). BRITISH FUNDS (63) INT.BANK & O'SEAS GOVT. STLG. ISSUES (8) LOANS (1) FOREIGN BONDS (3) CANADIANS (5) Breakwater, Danbus Memory, Muscocho, BANKS (2) Bank Scot. 9¼pc Prf, Hambros, BUILDINGS (1) Sharpe & Fisher, STORES (5) ELECTRICALS (8) ENGINEERING (1) Triplex Lloyd, INDUSTRIALS (11) Aaronson Bros., Apollo Watch Prods., Black (P.) Hldgs., Cannon St. Invs., Cent. Sheerwood, Dawsongroup, De La Rue, MY Hldgs., Oakwood, Third Mile Inv., Wills Grp., LEISURE (1) Classic T'breds, MOTORS (2) Bletchley Motor, Evans Halshaw, NEWSPAPERS (1) Southnews, PAPERS (2) Usher Walker, Waverley Cameron, PROPERTY (6) SHIPPING (1) Mersey Docks & Harbour, TEXTILES (3) Palma Grp., SEET, Stoddard, TOBACCOS (1) BAT Inds 12¼pc Ln, TRUSTS (8) OILS (1) Enterprise Oil 10¾pc 2016, MINES (4) Harmony, Jolie Mines, Mawson Pac., Pancont'l.

APPOINTMENTS

Top men for proposed electricity companies

Mr Brian Birkenhead, finance director of Johnson Matthey, the commodities house, yesterday became the latest recruit to the electricity industry in advance of privatisation, *writes Maurice Samuelson.*

Mr Birkenhead, 47, is to be finance director of National Power, larger of the two power station companies to be formed from the Central Electricity Generating Board.

At National Power, to be vested on January 1, he will be in charge of the finances of one of the top ten UK companies, with a turnover of around £5bn.

PowerGen, the CEGB's other successor company, has also signed up an outsider as finance director - 43 year-old Mr John Rennocks, currently finance director and company secretary of Smith and Nephew, the medical and health care group, where he has worked since 1974.

Both men are accountants. Mr Birkenhead previously worked for British American Tobacco, British Home Stores and Shell UK.

PowerGen's principal outside recruit to date is its chairman-designate, Mr Robert Malpas, a former managing director of British Petroleum.

National Power's chairman will be *Lord Marshall of Goring*, the present CEGB chairman. The company is also looking for an outsider as its commercial director.

PowerGen's commercial director will be Dr Alfred Roberts, the CEGB's director of engineering services and resources.

Chairman of CWS

■ Mr Lennox Fyfe, chief executive officer, Leicestershire Co-operative Society, has been appointed chairman of the CO-OPERATIVE WHOLESALE SOCIETY, succeeding Mr Jim Mason who has retired. Mr Fyfe was vice chairman, CWS, and is succeeded by Mr Brian Hellowell, chairman of Co-operative Retail Services.

■ Mr George E. Kountouris has been appointed an assistant director of LAZARD BROTHERS & CO.

■ Mr Rafe Rowlatt has been appointed chief executive of HORTONS' ESTATE, Birmingham, and Mr Robert Blyth joins the board.

■ Mr Clive Honeywood has been appointed treasurer of GREYHOUND BANK, London-based subsidiary of The Greyhound Corporation. He was with Norwich Union Fund Managers.

■ Mr David Ross Stewart has been elected chairman of SCOTTISH PROVIDENT in *succession to Sir Gerald Elliot* who has retired. Mr Ross Stewart is managing director of John Bartholomew and Son.

■ Mr David Woodley, general manager, contracts, has been promoted to contracts director at WEIR PUMPS.

■ WESTERN PROVIDENT ASSOCIATION has appointed Mr Michael Collett as financial *director;* Mr David Mutteen as commercial director, and Mr Stephen Morgan as company secretary and benefits director.

■ ROLLS-ROYCE MOTOR CARS has appointed Mr Charles Matthews as director, personnel and systems, and to the executive board. He was with Nabisco Group.

■ HILL SAMUEL INVESTMENT MANAGEMENT has promoted to associate director Ms Yvonne Doody, Mr Peter Jones, Mr Michael Ewing, Mr Rowland Hill, Mr Chris Giles, and Mr Michael Taylor.

■ Mr S.J.F. Lamb has been appointed managing director of ELDON ELECTRIC. He was *sales and marketing director* of Bestobell Valve & Steam Products. Mr R. Crowther becomes financial director.

Senior posts at Rothschild

■ Mr Carel Mosselmans, formerly chairman of Sedgwick Group, has been appointed chairman of N.M. ROTHSCHILD INTERNATIONAL ASSET MANAGEMENT, and a non-executive director of N.M. Rothschild Asset Management. Mr Justin Reed has been appointed a director of N.M. Rothschild Asset Management. He was head of Touche Remnant's pension fund division. Ms Rosalind Altmann becomes a director of N.M. Rothschild International Asset Management. She was head of international investments at Chase Manhattan Bank.

He was group financial controller of Fellowes Manufacturing (UK). Mr A.W. Frost has been promoted to manufacturing director.

■ Mr Richard Rutter has been appointed divisional controller of GKN vending division from June 1. He was head of corporate audit at group HQ and will be succeeded by Mr Peter Leonard, controller of GKN defence - land systems.

■ V. BERG & SONS has appointed Mr Jeffrey M. Collins as director in charge of New York operations, and a director of V. Berg Futures, and V. Berg International, domiciled in US.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2126

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	54.51	56.08	58.60	+0.5	4.68
Gilts & Fixed Int	6	109.2	109.2	115.9	-2.5	8.63
High Inc Equity	6	132.5	135.4	144.1	+0.8	4.41
Worldwide Bond	6	198.3	198.3	210.1	+0.5	4.62
Capital Growth						
American Growth	6	188.3	190.0	202.2	+1.2	1.23
Asian Pacific	6	100.2	100.2	107.2	-1.6	0.60
Assets & Earnings	6	158.9	158.9	170.0	-3.4	1.53
Capital Reserve Acc	0	84.85	84.85	84.97	-0.16	4.71
Comdty & Energy	6	99.57	99.57	106.5	-2.4	0.99
1992 Enterprise	6	57.88	58.83	62.59	+0.31	2.08
European Capital	6	84.67	85.27	90.72	+0.68	0.83
General	6	175.6	178.6	190.1	+0.8	2.37
International		47.0	47.0	50.0	....	2.00
Japan	6	109.7	109.7	117.4	-1.7	0.00
Mastertrust	6	85.87	85.87	91.84	+0.4	1.36
UK Growth Acc	6	201.4	210.0	223.5	-0.4	1.01
UK Growth Dist	6	134.3	140.1	149.1	-0.2	1.51
US Emerging Cos	6	56.64	58.34	62.07	+0.44	0.00
Income & Growth	6	289.70	296.3	315.3	+1.4	3.25
Ethical	6	48.69	49.96	53.15	-0.49	[illegible]
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 [illegible]						
Amer Inc & Growth	5	31.08	31.08	33.18	+0.14	0.44
European	5½	62.87	62.98	67.24	+0.52	0.00
European Income	5½	63.10	63.10	67.36	+0.72	0.17
Exempt	1	800.9	800.9	835.9	-1.0	[illegible]
Extra Income	5	42.78	42.78	45.67	+0.15	5.02
F East Emerg Econs	5½	46.09	46.65	49.96	+0.04	[illegible]
Fund Inv Tst	5	121.9	121.9	130.1	+0.00	[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ◆ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ● - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Windsor Trust Mngrs Ltd (1200)F

Wright Seligman Fund Mngrs Ltd (1000)H

The Yorkshire Unit Trust Mngrs Ltd (1100)F

OTHER UK UNIT TRUSTS

INSURANCES

Allied Dunbar Assurance Plc

City of Edinburgh Life Assurance

Devonshire Life

Assicurazioni GENERALI SpA

Irish Life Assurance Co Plc—Contd.

MGM Assurance(z)

NEL Britannia Assce Co Ltd—Contd.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39 Perrymount Road Haywards Heath 0444 458721				
American	132.0	139.0	+1.0	-
Building Soc. Fd	170.0	179.0	.....	-
Balanced	282.0	297.0		-
European	172.0	182.0	+2.0	-
GT Managed	174.0	184.0	-1.0	-
Gartmore Mngd	116.0	123.0		-
German	118.0	125.0	+1.0	-
Gilt	179.0	189.0	-1.0	-
Global	48.0	51.0		-
High Inc	121.0	128.0	....	-
International Equity	193.0	204.0		-
Japan	241.0	254.0		-
Managed	63.0	67.0		-
Property	279.0	294.0	....	-
R W Imperial Gold	144.0	152.0		-
UK Equity	369.0	389.0		-
Pension Funds				
American	154.0	163.0	......	-
Building Soc. Fd	170.0	179.0		-
Balanced	219.0	231.0		-
European	166.0	175.0		-
German	103.0	109.0		-
Gilt	154.0	163.0		-
International Equity	142.0	150.0		-
Japan	136.0	144.0		-
Managed	64.0	68.0		-
Property	215.0	227.0		-
UK Equity	331.0	349.0	+1.0	-
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd	600.0	632.3	.....	-
Adventurous Mngd	128.2	135.1		-
Secure Mngd	110.3	116.3		-
Cash Fd	232.3	244.8		-
Property Fund	285.1	303.3		-
Equity Fund	672.4	715.4		-
Fxd Int. Fund	292.3	311.0		-
International	308.6	328.4		-
High Income	476.9	507.4		-
Far East	441.2	465.0		-
North American	280.8	298.8		-
Special Sits	624.9	664.8		-
Technology	259.0	275.6		-
Extra Inc Fd	286.0	304.3		-
Convertible & Gilt Fd.	155.4	165.4		-
American Income	131.2	139.6		-
Gilt Fund 20	296.6	315.6		-
European Fund	101.6	107.1		-
Pref & Fixed Int	100.3	105.6		-
Pension Funds				
Balnced Gth Mgd Pens Acc	570.6	600.7		-
Adventurous Mgd Pens Acc	125.1	131.7		-
Secure Mngd Pens Acc	108.4	114.2		-
Building Soc. Acc.	239.8	252.5		-
Property Pens Acc.	290.3	305.6		-
Fix Int Pens Acc.	400.2	421.3		-
Equity Pens Acc	755.5	795.3		-
International Pen Acc	284.6	299.6		-
High Inc Pens Acc	494.2	520.3		-
Tech Pens Acc	171.3	180.4		-
N American Pens Acc	192.2	202.4		-
Far Eastern Pens Acc	426.9	449.4		-
Special Sits Pens Acc	506.5	533.2		-
Extra Income Pens Fd	328.6	345.9		-
Convertible & Gilt Pen	172.6	181.7		-
American Inc Pens	145.0	152.7		-
European Pens	106.9	112.6		-
Managed Cash Pens	110.4	116.2		-
Pref & Fixed Pens	104.4	109.9		-
Other Funds				
Acorn Managed Fund	173.3	182.5		-
Portfolio 2000	160.7	169.2		-
Britannia Managed	109.4	115.2		-
PBIS Man Gwth & Inc	112.1	118.1		-
G&C Growth & Income	112.2	118.2		-
NCH Managed	101.0	106.4		-
For Capital Unit and Other Prices ring 0539-33733				
Property Equity & Life Ass. Co				
Baxter Ave Southend SS2 6QH 0702 333433				
Int Man Pension Fd	133.2	140.2		-
Int Man Crncy Bd Fd		134.8		-
Int Man Crncy Bd Fd(a)		123.8		-
Flexible Prop Bd Fd		173.6		-
Flexible Money Bd Fd		313.7		-
Special Man Inc Fd		125.7		-
Property Growth Assur Co Ltd				
Sun Alliance House, Horsham 0403 641411				
Property Fund		444.9	+0.1	-
Property Fund (A)		423.8	+0.1	-
Agricultural Fund		615.6	+0.1	-
Agric. Fund (A)		591.6	+0.1	-

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99½	98½	Exch. 10pc 1989	99¼	.....	10.06	13.68
99½	98½	Exch 11pc 1989	99¼	–⅛	11.10	13.60
98	95½	Treas 5pc 1986-89	97¾	.....	5.11	11.07
99½	98½	Exch 10¼ pcCv '89	98¾	–⅛	10.31	11.40
101⅝	99⅞	Treas 13pc 1990‡‡	99⅞	–⅛	13.02	13.26
99⅞	98⅜	Exch 11pc 1990‡‡	98⅝	–⅛	11.16	13.15
101¼	99⅞	Exch. 12½pc 1990	99⅞	–⅛	12.50	13.02
94½	91⅛	Treas. 3pc 1990	93⅞	.....	3.20	10.31
96¾	95⅛	Treas 8¼pc 1987-90‡‡	95⅞	–⅛	8.60	12.60
98⅞	95⅛	Treas. 8pc Cv 1990 ‡‡	95⅝	–⅛	8.36	12.21
98⅞	96⅛	Treas. 10pcCv 1990	96⅞	–⅛	10.31	12.37
91⅛	87⅞	Exch 2½pc 1990	90⅛	.....	2.76	9.45
101⅞	99⅛	Treas 11¾pc 1991	99⅛	+⅛	11.83	12.22
92⅛	89⅞	Funding 5¾pc '87-91‡‡	91⅞	.....	6.28	10.96
89⅞	86⅞	Treas. 3pc 1991	89⅛	.....	3.38	9.16
100⅛	96⅛	Treas 10pc Cv '91 ‡‡	96⅛	+⅛	10.39	12.09
101⅛	97⅞	Exch. 11pc 1991	98⅛	+⅛	11.92	11.84
94⅛	91⅛	Treas. 8pc 1991	91⅛	+⅛	8.74	11.52
106⅛	102⅛	Treas 12¾pc 1992‡‡	102⅛	+⅛	12.40	11.46
99½	96⅛	Treas 10pc 1992	96⅛	+⅛	10.36	11.49
94⅛	91⅛	Treas. 8pc 1992 ‡‡	91⅛	+⅛	8.74	11.52
100⅛	97⅛	Treas 10½pc Cv 1992‡‡	97⅛	+⅛	10.76	11.46
85⅛	82⅛	Treas. 3pc 1992	83⅛	.....	3.61	9.52
105⅛	101⅛	Exch. 12¼pc '92	102	+⅛	12.00	11.45
109⅛	105⅛	Exch 13½pc 1992	105⅝	+⅛	12.77	11.34
94⅛	90⅛	Treas 8¼pc 1993	91⅛	+⅛	9.04	11.19
100⅛	96⅛	Treas 10pc 1993‡‡	96⅛	+⅛	10.34	11.04
108⅛	104⅛	Treas 12½pc 1993‡‡	104⅛	+⅛	11.96	11.10
87¼	84⅛	Funding 6pc 1993‡‡	85⅛	+⅛	7.00	10.16
113¼	109⅛	Treas 13¾pc 1993‡‡	109⅛	+⅛	12.57	11.01
94⅛	90⅛	Treas. 8½pc 1994	90⅛	+⅛	9.36	11.05
117⅛	113⅛	Treas 14½pc 1994‡‡	113⅛	+⅛	12.78	10.78
113⅛	108⅛	Exch 13½pc 1994	109⅛	+⅛	12.36	11.00

Five to Fifteen Years

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100⅛	96⅛	Treas. 10pc Ln. 1994‡‡	96⅛	+⅛	10.34	10.86
110¼	105⅛	Exch. 12½pc 1994	105⅛	+⅛	11.83	11.00
96⅛	92⅛	Treas 9pc 1994‡‡	92⅛	+⅛	9.70	10.78
108⅛	103⅛	Treas 12pc 1995	104⅛	+⅛	11.51	10.97
79⅛	74½	Exch 3pc Gas 90-95	76⅛	.....	3.91	8.07
101⅛	97⅛	Exch. 10¼pc 1995	97¼	–⅛	10.53	10.86
113⅛	108⅛	Treas 12¾pc 1995‡‡	108⅛	–⅛	11.72	10.81
119⅛	113⅛	Treas. 14pc '96	113⅛	–⅛	12.28	10.96
97½	92⅛	Treas. 9pc 1992-96‡‡	92⅛	–⅛	9.70	10.50
126⅛	120⅛	Treas 15¼pc 1996‡‡	120⅛	–⅛	12.64	10.90
117⅛	111⅛	Exch 13¼pc 1996‡‡	111⅛	–⅛	11.90	10.88
101⅛	95¼	Conversion 10pc 1996	95⅛	–⅛	10.41	10.77
118½	112	Treas 13¼pc 1997‡‡	112⅛	–⅛	11.81	10.84
104⅛	98⅛	Exch 10½pc 1997	98⅛	–⅛	10.66	10.78
95⅛	89⅛	Treas 8¾pc 1997‡‡	89⅛	–⅛	9.72	10.59
128⅛	121⅛	Exch 15pc 1997	121⅛	–⅛	12.33	10.97
100⅛	94⅛	Exch. 9¾pc 1998	94⅛	–⅛	10.27	10.66
84⅛	80⅛	Treas 6¾pc 1995-98‡‡	80⅛	–⅛	8.41	10.17
134⅛	127⅛	Treas. 15½pc '98‡‡	127⅛	–⅛	12.18	10.78
113⅛	107⅛	Exch. 12pc 1998	107⅛	–⅛	11.18	10.73
100¼	94⅛	Treas 9½pc 1999‡‡	94⅛	–⅛	10.03	10.37
115⅛	109⅛	Exch. 12¼pc 1999	109¼	–⅛	11.22	10.69
105⅛	99⅛	Treas. 10½pc 1999	99⅛	–⅛	10.57	10.60
104⅛	97⅛	Conversion 10¼pc 1999	97⅛	–⅛	10.45	10.55
94⅛	88⅛	Treas. 8½pc Ln 2000‡‡	88⅛	–⅛	9.60	10.28
97⅛	91⅛	Conversion 9pc 2000‡‡	91⅛	–⅛	9.83	10.30
122⅛	114⅛	Treas. 13pc 2000	114⅛	–⅛	11.31	10.67
103⅛	97⅛	Treas 10pc 2001	97⅛	–⅛	10.26	10.36
124⅛	117⅛	Treas. 14pc '98-01	117⅛	–⅛	11.92	10.91
102⅛	95⅛	Conversion 9¾pc 2001	95⅛	–⅛	10.15	10.33
113⅛	107	Exch. 12pc '99-02	107	–⅛	11.19	10.76
104⅛	98⅛	Conversion 10pc 2002	98⅛	–⅛	10.18	10.24
102⅛	96⅛	Treas 9¾pc 2002	96⅛	–⅛	10.09	10.21
97⅛	91½	Exch. 9pc 2002	91½	–⅛	9.82	10.13
126⅛	119⅛	Treas. 13¾pc 2000-03	119⅛	–⅛	11.51	10.71
105⅛	98⅛	Treas 10pc 2003	98⅛	–⅛	10.10	10.12
113⅛	106⅛	Treas. 11½pc 2001-04	106¼	–⅛	10.79	10.50
106⅛	99⅛	Treas. 10pc 2004	99⅛	–⅛	10.03	10.04

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
59⅞	56¼	Funding 3½pc '99-04	56¼	–⅛	6.20	8.74
102⅞	96⅛	Conversion 9½pc 2004	96⅛	–⅛	9.87	9.98
103⅛	96⅛	Conversion 9½pc 2005	96⅛	–⅛	9.85	9.94
111⅛	104⅛	Exch. 10½pc 2005	104⅛	–⅛	10.04	9.91
125⅛	117⅛	Treas. 12½pc 2003-05	117⅛	–⅛	10.62	10.14
90⅛	84⅛	Treas. 8pc 2002-06‡‡	84⅛	–⅛	9.44	9.84
105⅛	99⅛	Conversion 9¾pc 2006	99⅛	–⅛	9.83	9.84
118⅛	111⅛	Treas. 11¾pc 2003-07	111⅛	–⅛	10.53	10.16
96⅛	89⅛	Treas 8½pc 2007 ‡‡	89⅛	–⅛	9.46	9.70
134⅛	126¼	Treas. 13½pc '04-08	126¼	–⅛	10.71	10.07
101⅛	94⅛	Treas. 9pc 2008 ‡‡	94⅛	–⅛	9.53	9.64
92⅛	85⅛	Treas 8pc 2009	85⅛	–⅛	9.31	9.57
102⅛	95⅛	Conv 9pc Ln 2011 ‡‡	95½	–⅛	9.42	9.49
68⅛	64⅛	Treas. 5½pc 2008-12‡‡	64⅛	–⅛	8.62	9.33
89⅛	84	Treas. 7¾pc 2012-15‡‡	84	–⅛	9.24	9.42
132⅛	123¼	Exch. 12pc '13-'17	123¼xd	–⅛	9.70	9.49

Undated

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
45⅛	42⅛	Consols 4pc	42⅛	–⅛	9.43	–
40⅛	37⅛	War Loan 3½pc‡‡	37⅛	–⅛	9.35	–
70⅛	60⅛	Conv. 3½pc '61 Aft	65⅛	–⅛	5.37	–
41⅛	31⅛	Treas. 3pc '66 Aft	34¼	–⅛	8.76	–
30⅛	26⅛	Consols 2½pc	26⅛xd	–⅛	9.37	–
29½	26¼	Treas. 2½pc	26⅛	–⅛	9.46	–

Index-Linked

1989 High	1989 Low	Stock (b)	Price £	+ or –	(1)	(2)
129½	124	Treas 2pc IL '90(84.6)	129⅛	–⅛	–	4.68
107⅞	103⅞	Do. 2pc '92‡‡(97.8)	107⅛	+⅛	3.11	4.08
99⅛	94⅛	Do. 2 '94 (102.9)	98⅛	–⅛	3.37	3.91
146½	139⅛	Do. 2pc '96(67.9)	145⅛	–⅛	3.35	3.73
124⅛	118⅛	Do 2½pc '01(78.3)	123⅛	–⅛	3.59	3.85
122⅛	115⅛	Do. 2½pc '03(78.8)	120⅛	–⅛	3.65	3.87
125⅛	117⅛	Do. 2pc '06(69.5)	123½	–⅛	3.64	3.83
117⅛	110⅛	Do. 2½pc '09(78.8)	115⅛	–⅛	3.64	3.82
123⅛	114⅛	Do. 2½pc '11(74.6)	120⅛	–⅛	3.63	3.79
102⅛	95⅛	Do. 2½pc '13(89.2)	99⅛	–⅛	3.62	3.77
110⅛	101⅛	Do. 2½pc '16(81.6)	107⅛	–⅛	3.58	3.72
108⅛	100⅛	Do. 2½pc '20(83.0)	105⅛	–⅛	3.53	3.66
91⅛	84⅛	Do. 2½pc '24‡‡(97.7)	88⅛	+1⅛	3.50	3.62

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1988: 108.4 and for April 1989: 114.3.

INT. BANK AND O'SEAS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
108⅛	101	African Dv Bk 11¼ Ln 2010	101	–⅛	11.01	11.00
104⅛	97⅛	Asian Dev Bk 10¼pcLn2009	97⅛xd	–⅛	10.49	10.51
130⅛	120⅛	Australia 13½pc 2010	120⅛xd	–⅛	11.17	10.95
113⅛	104⅛	Do. 11¾pcLn2015	104⅛xd	–⅛	10.88	10.84
108⅛	101⅛	Euro Inv Bk 11pc Ln 2002	101⅛	–⅛	10.86	10.80
104⅛	97⅛	Do. 10¾pc2004	97⅛	–⅛	10.65	10.71
119⅛	110⅛	Int-Am Dev Bk 12½pc 2003	110⅛	–⅛	11.28	10.94
99⅛	92⅛	Do. 9¾pcLn 2015	92⅛	–⅛	10.59	10.65
97½	94½	Malaysia 10¾pcLn 2009	94½xd	.....	11.38	11.45
120	118	Nat Mexican States 16½pc 2008	118	.....	13.98	13.80

CORPORATION LOANS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102	100	Birmingham 13½pc 1989	100½xd	.....	13.43	11.20
111⅛	102½	Do. 11½pc 2012	105½xd	.....	10.90	10.85
91	86½	GLC 6¾pc 1990-92	86½xd	.....	7.80	12.10
124½	14½	Leeds 13½pc 2006	120½xd	.....	11.20	10.94
33	30	Liverpool 3½pc Irred	30	.....	11.67	–
94½	92	LCC 6¾pc '88-90	93½xd	.....	7.22	12.90
30	28	Do. 3pc '20 Aft	28	.....	10.71	–
107⅛	104½	Manchester 11½pc 2007	105½xd	.....	10.90	10.80

COMMONWEALTH & AFRICAN LOANS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
89½	86½	NZ 7¼pc 1988-92	87¼	–¼	8.31	12.20
206	206	S Rhod 2½pc Non-Asstd	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd	84½xd	.....	5.33	9.33

LOANS

Building Societies

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99⅛	98⅛	N'wide Anglia 9⅞ 26.6.89	99⅛	.....	9.86	14.52
99⅛	98⅛	Do. 10⅞pc 17.7.89	99⅛	.....	10.74	14.72
99⅛	98⅛	Do. 11⅛pc 7.8.89	99⅛	.....	11.14	14.62
99⅛	98⅛	Do. 11⅝pc 29.8.89	99⅛	.....	11.65	14.62
99⅛	99⅛	Do. 12⅛pc 18.9.89	99⅛	.....	12.47	14.54
99⅛	99⅛	Do. 12⅛pc 2.10.89	99⅛	.....	12.43	14.75
99⅛	98⅛	Do. 11⅛pc 6.11.89	98⅛	.....	11.96	14.54
100	98⅛	Do. 12⅛pc 4.12.89	98⅛	.....	12.44	14.43
100½	99⅛	Do. 12⅛pc 2.1.90	99⅛	.....	12.91	14.36
100½	98⅛	Do. 12⅛pc 29.1.90	98⅛	.....	12.72	14.46
100	98⅛	Do. 12⅛pc 26.2.90	98⅛	.....	12.85	14.37
102¼	99½	Do. 3⅞pcIL Ln 2021	99½xd	–½	4.38	4.45

Public Board and Ind.

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99	95	Agric. Mt. 5pc '59-89	99xd	.....	5.05	–
47	45	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.41

FOREIGN BONDS & RAILS

1989 High	1989 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass	40	.....	3.50	f8.75
45	40	Do. 6pc 28 Stb. Ass	40xd	.....	3	f7.50
45	40	Do 4pc Mixed Ass	40xd	.....	2	f5.00
80	65	Hung. '24 Ass	80	.....	2.75	f3.57
139⅛	130¼	Hydro Quebec 15pc 2011	130¼	–⅛	15.00	11.25
128⅛	120⅛	Iceland 14½pc Ln 2016	120⅛xd	–⅛	14.50	11.94
97¼	93	Ireland 9¾pc '91-96	93xd	–½	9.75	11.20

AMERICANS

1989 High	1989 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
37⅛	26⅛	Abbott Laboratories$	37⅛xd	+⅛	$1.20	–	2.0
537p	361p	Allegheny & W 1c	524p	–8	30c	–	3.6
16⅛	12⅛	Amdahl $1	16⅛xd	–⅛	40c	–	1.6
11⅛	6	Ambase Corp $1	7⅛xd	–⅛	20c	–	1.7
14½	956p	Amdahl 5c	14⅛xd	+⅛	h10c	–	0.4
35⅛	25⅛	Amer. Cyanamid $5	35	.....	$1.35	–	2.4
22	14⅛	Amer. Express 60c	20⅛xd	–⅛	84c	–	2.6
13⅛	854p	Amer. Medical Int. $1	13⅛	.....	♦72c	–	3.3
22⅞	15⅛	American T. & T. $1	22½	–⅛	$1.20	–	3.4
38½	26⅛	Ameritech $1	37⅛	+⅛	h$2.92	–	4.9
18½	9⅛	BankAmerica $1	18⅛xd	–⅛	60c	–	2.1
30⅛	19⅛	Bankers N.Y. $1	29⅛	+⅛	$2.08	–	4.4
56	38⅛	Bell Atlantic $1	55⅛	+⅛	$4.08	–	4.7
31⅛	19⅛	BellSouth Corp	30⅛	+⅛	$2.52	–	5.2
15⅛	12⅛	♦Bethlehem Steel $8	14⅛xd	–⅛	–	–	–
11⅛	929p	♦Bio-Rad Labs. A	11⅛	.....	–	–	–
20⅛	15⅛	Bowater Inc	19⅛	–⅛	$1.12	–	3.6
12⅞	9⅛	Brunswick 75c	12⅛	.....	44c	–	2.2
37⅞	28⅛	CPC Incnl. 25c	36⅛	–⅛	$1.60	–	2.7
21⅛	17⅛	CSX $1	20⅛	–⅛	$1.24	–	3.8
798p	533p	California Engy	726p	.....	–	–	–
28⅛	17⅛	Campbell Soup 15c	28	+⅛	92c	–	2.1
23⅛	15⅛	Chase Manhattan $12½	23⅛xd	+⅛	$2.36	–	6.5
22⅛	17	Chem. Banking Corpn	22⅛	+⅛	$2.72	–	7.6
16⅛	13⅛	Chrysler $6¼	14⅛	–⅛	$1.20	–	5.1
20½	14⅛	Citicorp $1	20⅛	+⅛	$1.62	–	5.1
230p	152p	CityFed Fin. Corp	157p	.....	4c	–	1.6
32⅛	25⅛	Colgate-Palmolive $1	32⅛	–⅛	s$1.48	–	2.9
21⅛	16⅛	Cons Freightways 62½c	19⅛	–⅛	98c	–	3.1
16	10⅛	Cont'l Bank Corp $4	16xd	+⅛	86c	–	3.2
387p	300p	Corporate Data Scncs	335p	.....	–	–	–

Continued on next page

Henderson Global Strategy Mngmt SA

NM Income & Gwth Fd

NM Schroder Financial Mngt Intl Ltd

National Mutual Insce Co (Bermuda) Ltd

The New Zealand Fund

Hill Samuel Investment Services Intl (z)

Skandifond

The Charities Deposit Fund

2 Fore Street, London EC2Y 5AQ 01-588 1815

Barimore Money Management Ltd

2-3 White Hart Yard, London SE1R 1NX. 01-236 1425

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]	278p	Cullinet Sftwr 1c	421p	+8	—	—	—
27	21	Dana Corp. $1	26½	−⅛	$1.60	—	3.8
11	654p	Data General	11¾	+⅛	—	—	—
35¼	28¼	Dun & Bradstreet $1	35¾	+¼	$2.00	—	3.5
39½	30½	Eaton Corpn. 50c	39½		b$2.00	—	3.2
11⅞	8½	Echlin Inc.	11½	+⅛	70c	—	4.0
20¼	16½	FPL Group 1c	19½	+⅛	$2.20	—	7.0
32¼	27¼	Ford Motor $1	30⅞		$3.00	—	6.1
40¼	30	GATX 62½c	40	+⅛	$2.00	—	3.2
34¾	24¼	Gen. Elect. 63c	34¼	+⅛	$1.64	—	3.0
567p	[illegible]	General Host Corp $1	547p	+15	[illegible]	—	3.2
39¼	18¼	Gillette $1	25¾	+¼	[illegible]	—	2.4
[illegible]	[illegible]	Gt Am First Sygs Bk $1	[illegible]	−1	[illegible]	—	4.7
21¼	16	Greyhound $1½	21¼	+¼	$1.32	—	3.9
13⅞	847p	Hasbro Inc 50c	13⅝	+½	[illegible]	—	0.7

For Home Group see Ambase Corp

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
49¼	32¼	Honeywell $1½	47¼		$2.10	—	2.8
18⅞	15¼	Houston Inds	18½	−⅛	$2.96	—	10.1
74⅝	63	IBM Corpn $1¼	69	+⅞	$4.84	—	4.4
52p	45p	[illegible] Storage/R.Sys. 1c	47p	+2	—	—	—
26¼	18¼	Ingersoll-Rand $2	26¼	−⅛	$1.04	—	2.5
30¼	22½	Lockheed Crpn. $1	30¾	+⅛	$1.60	—	3.3
18	15	Lone Star Inds $1	18¼	−⅛	$1.90	—	6.6

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

Australians

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
◆ Merger bid or reorganisation in progress
‡ Not comparable
◆ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	99	−1
Craig & Rose £1 γ	720	.....
Finlay Pkg. 5p γ	88xd	.....
Holt (Jos) 25p γ	1325	+15

IRISH

Cap. 8½% Ln. 1991	£98	.....
9pc Cap Ln. 1996	£97¼	.....
Fin. 13% 97/02	£118	.....
Arnotts	440xd	.....
Carrol (P.J.) γ	152	.....
Hall (R. & H.J.)	168	+2
Heiton Hldgs. γ	75	−1
Irish Ropes	203xd	.....
United Drug	138	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
British Steel	7½
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk.	35
Morgan Grenfell	28
Nat West Bk.	45
P & O Dfd.	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
RWTH	28
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42
Property	
Brit Land	38
Land Securities	52
MEPC	58
Oils	
Brit Petroleum	21
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21
Mines	
Cons Gold	108
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

German decision helps pound

STERLING SHOWED little change in currency markets yesterday, following a decision by the West German Bundesbank to leave its interest rates unchanged.

The pound was pushed firmer in early trading, supported by a small increase in domestic money rates. The latter were marked up on fears that a rise in German interest rates could depress sterling and force another rise in UK base rates.

However, the Bundesbank's decision to leave rates unchanged helped to take some of the pressure off sterling. Sentiment was also helped by comments from Mr Nigel Lawson, UK Chancellor. Speaking at a news conference in Paris, Mr Lawson said that there should be no let up in the global fight against inflation, and that some further slowdown in economic growth is likely, as the full effect of tighter monetary policy makes itself felt.

UK domestic markets interpreted Mr Lawson's comments as confirmation of the authorities' determination to use higher interest rates, if necessary, in order to hold the pound stable and so help contain the level of inflation.

The pound's exchange rate index finished at 92.4 compared with 92.3 at the opening, and at the close on Wednesday. Against the dollar it was barely changed at $1.5730 from $1.5725 but rose quite sharply against the D-Mark to DM3.1200 from DM3.1075. It was also firmer in yen terms at Y224.50 from Y223.75. Elsewhere, it finished at SFr2.6800 from SFr2.6825 and FFr10.5825 compared with FFr10.5325.

The dollar edged up during the day but showed little incentive to again test the DM2.00 level against the D-Mark. Trading started on a cautious note as some investors prefered to wait until after the Bundesbank meeting before opening fresh positions.

Nevertheless, the US unit retained its firm undertone, yet there was very little fresh business done. For the most part, investors were content to await today's publication of US employment data for May as these are expected to give some indication on the pace of US economic growth.

A 0.1 per cent rise in US construction spending in April, announced yesterday, differed little from market expectations and had no effect on the dollar.

The US unit finished below the day's highs after a statement by Mr Michael Boskin, chairman of the US council of economic advisers, stressing that monetary policy (in Europe and the US) is tight enough for inflationary pressures to start easing.

The dollar closed at DM1.9830 from DM1.9755 and Y142.70 compared with Y142.30. Elsewhere, it finished at SFr1.7040 from SFr1.7055 and FFr6.7275 against FFr6.6975. On Bank of England figures, the dollar's exchange rate index rose from 72.1 to 72.2. There was no sign of any central bank intervention during the day, although the Bank of Japan intervened earlier in Tokyo.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

*All SDR rates are for May 31

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4785	+2.40	+0.98	±1.5344
Danish Krone	7.85212	8.08447	+2.96	+1.54	±1.5404
German D-Mark	2.05853	2.07598	+1.33	-0.09	±1.0981
French Franc	6.90403	7.04023	+1.97	+0.55	±1.3674
Dutch Guilder	2.31943	2.33937	+0.86	-0.56	±1.5012
Irish Punt	0.768411	0.777078	+1.13	-0.29	±1.6684
Italian Lira	1483.58	1503.98	+1.38	+0.60	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

June 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5645-1.5800	1.5725-1.5735	0.55-0.52cpm	4.08	1.74-1.69pm	4.36
Canada	1.8930-1.9060	1.8975-1.8985	0.25-0.14cpm	1.25	0.83-0.66pm	1.59
Netherlands	3.50-3.52¾	3.51-3.52	2-1⅞cpm	6.61	5⅞-5¾pm	6.61
Belgium	65.10-65.55	65.30-65.40	32-29cpm	5.60	94-88pm	5.57
Denmark	12.13-12.18	12.13-12.14	5⅜-4⅞orepm	5.19	14⅞-13⅝pm	4.68
Ireland	1.1625-1.1780	1.1660-1.1670	0.55-0.50cpm	5.40	1.45-1.35pm	4.80
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Unchanged rates boost prices

SQUARING OF positions pushed short sterling higher on the Liffe market yesterday, as the Bundesbank left its credit policies unchanged in Frankfurt and UK bank base rates remained at 14 per cent.

Traders in London had tended to play down talk of a row between the UK Prime Minister and Chancellor over economic policy, but felt there was a distinct threat of higher UK interest rates if official West German rates were increased.

There was, therefore, some relief when the Bundesbank did not adjust official rates, and the Bank of England left its money market dealing rates unchanged.

September short sterling opened unchanged at 85.83, which was also the day's low. The contract rallied as fears of higher interest rates subsided and touched a high of 86.09. This was only slightly above the closing level of 86.08.

West German Government bonds firmed on the lack of a rate change in Frankfurt, with September bonds closing on Liffe at 93.09 against 92.96 on Wednesday.

US Treasury bond futures were also firmer, with September delivery rising to 92-26 from 92-17, but finishing below the opening level of 92-31. Trading in London and Chicago was generally regarded as lacklustre and uneventful.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	359	429	25	43
91	306	346	36	68
92	222	303	52	117
93	149	230	113	144
94	115	161	145	211
95	50	133	216	247
96	32	110	262	324

Estimated volume total, Calls 945 Puts 6526. Previous day's open int. Calls 3927 Puts 10413

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
86	662	723	10	41
88	519	546	22	100
90	335	418	47	136
92	213	300	125	218
94	114	203	226	321
96	38	121	350	439
98	17	54	529	608

Estimated volume total, Calls 50 Puts 250. Previous day's open int. Calls 1680 Puts 1378

LIFFE BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9150	181	192	22	50
9200	142	158	33	66
9250	107	129	48	87
9300	79	108	70	111
9350	56	80	97	138
9400	38	62	129	170
9450	25	46	166	204

Estimated volume total, Calls 1215 Puts 380. Previous day's open int. Calls 4619 Puts 4587

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

LONDON (LIFFE)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

MONEY MARKETS

London rates ease

FINANCIAL MARKETS traded nervously as the West German Bundesbank began yesterday's council meeting and rumours circulated in London about a rift between Mrs Margaret Thatcher, the Prime Minister, and Mr Nigel Lawson, the Chancellor, over UK economic policy.

Sentiment improved later in the day however, with three-month sterling interbank falling to 14⅛-14⅞ per cent from 14⅝-14⅛ per cent, as Mr Lawson defended his policies in a speech before the OECD in Paris and German interest rates were left unchanged.

UK clearing bank base lending rate 14 per cent from May 24

On balance there was no great surprise about unchanged Bundesbank credit policies. The discount rate remains at 4.50 per cent and the Lombard rate at 6.50 per cent.

Among factors pointing towards no change in West German interest rates was the failure of the dollar to establish a base above DM2.00 and the generous allocation of funds by the Bundesbank at this week's securities repurchase agreement tender.

The fact that there was no drain of liquidity from the banking system this week suggested the central bank is waiting for further economic information, but dealers do not rule out an upward move in German rates in the near future.

In Frankfurt call money remained firm at 6.55 per cent, but this was largely technical after banks had been forced to bid strongly for funds at the end of last month to meet minimum reserve requirements for May with the Bundesbank.

In Amsterdam the Dutch Central bank offered liquidity to the domestic money market through special advances at 6.9 per cent. The previous pact was offered at 6.8 per cent and before that at 6.7 per cent. So far this year the rate on special advances has risen by 1.8 percentage points. The new advances are for seven days and replace an eight day agreement of Fl 1.16bn.

The Bank of England initially forecast a flat credit position in London, but revised this to a shortage of £200m at noon, and to a shortage of £150m in the afternoon.

Help was provided before lunch when the authorities bought £210m bank bills in band 1 at 13¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take up of Treasury bills drained £604m, with a rise in the note circulation absorbing £25m. These factors outweighed Exchequer transactions adding £485m to liquidity and bank balances above target of £125m.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

[illegible]

JOTTER PAD

CROSSWORD

No.6,949 Set by HIGHLANDER

ACROSS

1 Small bed with single flower and shrub (11)
7 Object to sections of London-Edinburgh route (3)
9 Actors without time to work (7)
10 Coated with lime, sand, water, and soaked (9)
11 Pure evil's involved – destroy utterly (9)
12 Old and vigorous fruit tree (5)
13 Make duke measure old coin (5)
15 The Old Arabian period (4)
18 It's no more than reasonable (4)
20 Sweep uses the Bard's characters (7)
23 Vessel which reverses in small stretches of water (5)
24 Put nearer resort entrance (9)
26 Come back on a diet specially formulated to make thin (9)
27 Advantage of a sound screen (5)
28 Slip into reverse and go to sleep (3)
29 Mother recollected having come across note about temperature gauge (11)

4 Inform verbally there's a reward (7)
5 Attempt to absorb ancient disaster (7)
6 Reasons for helping porter, perhaps (9)
7 Able to raid haphazardly (9)
8 For colour plant more bananas (6)
14 Prototype for exotic publication (9)
16 Military administrative helper set to lose second social worker (8)
17 Turner accepts daughter is a persuasive person (8)
19 Some of shift rest; leaving others to produce framework (7)
20 Way to cheat rising camel (7)
21 Like a sea-bird at the rear (6)
22 He's afraid firm has drawback (6)
25 Second hand all-embracing religious song (5)

DOWN

1 He distributes cards by putting hands (it's said) on pile (8)
2 Setting about fish course the wrong way round (8)
3 Rising even admitted king's bravery (5)

Solution to Puzzle No.6,948

[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

JAPAN

FRANCE (continued)

GERMANY (continued)

GERMANY

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

AUSTRALIA

SWEDEN

SWITZERLAND

SOUTH AFRICA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices May 31

Quotations in cents unless marked $

Total Sales 5,414,700 shares.

MONTREAL

Closing prices May 31

INDICES

NEW YORK DOW JONES

	May 31	May 30	May 26	May 25	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2480.15	2475.50	2493.77	2482.59	2502.02 [illegible]	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.52	90.69	90.50	90.38	[illegible]	[illegible]		
Transport	1152.35	1156.05	1165.59	1152.65	1165.59 [illegible]	999.45 [illegible]	[illegible]	12.32 (8/7/32)
Utilities	200.39	199.8	201.16	199.27	201.16 (26/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2497.06 (2510.66) Low 2462.68 (2459.74)

STANDARD AND POOR'S								
Composite ‡	320.52	319.05	321.59	319.17	321.98 (22/5)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	367.84	366.31	369.20	366.50	369.20 (26/5)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	30.07	29.90	30.05	29.81	30.07 (22/5)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	178.85	178.11	179.31	178.05	179.35 (22/5)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	356.66	354.41	355.01	352.65	356.66 (31/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	446.17	444.21	445.21	442.89	446.17 (31/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	May 26	May 19	May 12	year ago (approx.)
Dow Industrial Div. Yield	3.38	3.35	3.43	3.68
	May 24	May 17	May 10	year ago (approx.)
S & P Industrial div. yield	3.03	3.04	3.12	2.94
S & P Indl. P/E ratio	13.46	13.42	13.54	15.35

TRADING ACTIVITY † Volume

Millions	May 31	May 30	May 26
New York	162.530	153.359	143.619
Amex	11.340	10.344	11.732
OTC	123.812	116.134	116.990

NEW YORK	May 31	May 30	May 26
Issues Traded	1948	1966	1950
Rises	907	559	1025
Falls	539	917	412
Unchanged	502	490	513
New Highs	132	156	129
New Lows	20	19	16

CANADA

TORONTO	May 31	May 30	May 29	May 26	1989 High	1989 Low
Metals & Minerals	3389.1	3382.7	3403.7	3402.5	3564.9 (6/2)	3207.5 (3/1)
Composite	3707.5	3690.3	3686.9	3683.2	3707.5 (31/5)	3350.5 (6/1)
MONTREAL Portfolio	1897.37	1888.66	1889.3	1889.31	1901.24 (19/5)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Texas Utilities	4,065,300	29⅞	....	Motorola	1,669,900	56⅞	+ 1⅝
Cabletron	2,035,000	16⅜	....	Union Carbide	1,638,800	26¼	− ⅝
Rollins env	2,034,700	12¼	+ ⅞	First Bank	1,613,600	24½	+ ½
Texaco	1,739,600	51¼	− ⅛	Gen Electric	1,603,600	54⅝	+ ⅝
IBM	1,736,100	109⅞	+ 1⅛	Time	1,513,400	127	− 8

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	June 1	May 31	May 30	May 29	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1531.5	1530.0	1542.6	1535.9	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	690.0	688.7	692.1	690.7	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	329.48	327.90	326.33	320.93	329.48 (1/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6099.23	6097.40	6106.67	6125.62	6125.62 (29/5)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	310.46	308.21	308.57	303.84	310.64 (16/5)	275.49 (27/2)
FINLAND						
Unitas General (1975)	(u)	808.5	809.6	807.6	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	477.6	475.8	477.1	477.8	478.5 (26/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	112.7	111.9	112.0	112.2	112.7 (1/6)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	588.26	587.12	585.00	576.57	588.26 (1/6)	535.78 (27/2)
Commerzbank (1/12/53)	1746.6	1743.7	1738.4	1713.0	1746.6 (1/6)	1595.7 (27/2)
DAX (30/12/87)	1413.00	1407.29	1403.17	1385.57	1413.00 (1/6)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2689.98	2743.87	2805.46	2845.01	3309.64 (15/5)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	609.30	612.08	610.85	609.18	620.30 (24/4)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33981.35	34266.75	34076.89	34160.8	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2518.21	2537.14	2522.59	2531.27	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	244.7	243.4	245.5	245.1	245.5 (30/5)	208.3 (3/1)
CBS All Shr (End 1983)	190.6	189.6	191.3	190.9	191.3 (30/5)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	635.65	638.63	648.68	651.74	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1292.94	1279.24	1275.17	1265.49	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1373.0 ♦	(c)	1375.0	1379.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2415.0 ♦	(c)	2415.0	2420.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	312.96	313.18	313.12	312.69	313.18 (31/5)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4024.6	4030.0	4053.9	4050.2	4053.9 (30/5)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	680.2	671.3	671.8	664.8	686.0 (28/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	500.8	499.0	502.0	519.0 (17/2)	491.2 (28/3)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday June 1 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	121.9m	1,470	+30	Furukawa Elec	41.8m	1,330	-10
KHI	73.8m	1,170	-10	MHI	40.3m	1,170	+20
Melco	68.6m	1,220	+10	Fuji Heavy	36.8m	1,060	-10
Nissan	62.3m	1,850	+80	Kawasaki Kisen	30.9m	895	-25
Amada	48.9m	2,090	+30	Hitachi	28.5m	1,690	-10

2pm prices June 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
31½	21¾	AAR	.44	1.4	21	81	31½	31	31⅛	
10⅛	8⅞	ACM n	1.01	11.		199	9⅝	9⅛	9⅛	−⅛
11⅞	10⅛	ACMIn	1.20a	12.		332	11	10⅞	10⅞	−⅛
10⅛	8½	ACM M	n1.01	11.		209	9⅛	9	9⅛	
11½	10⅛	ACM Sc	1.26	12.		707	10⅞	10¾	10¾	
10	8⅞	ACMSp	1.01	11.		189	9	8⅞	8⅞	+⅛
17¼	10⅞	AL Lab	.12	.7	18	69	16½	16¾	16½	+¼
4⅛	2⅞	AMCA	.12e	2.9	26	32	4⅛	4	4⅛	+⅛
6⅛	3½	AM Intl				290	6⅞	5⅞	5⅞	−⅛
23½	18⅛	AM In pf	2	8.9		2	22⅝	22⅛	22⅝	+⅛
66⅞	40	AMR			7	2895	62¾	61⅛	62⅝	+1
9½	3¼	ARX				38	4⅛	4⅛	4⅛	
47	35¾	ASA	3a	7.6		127	40	39¾	39⅞	
22⅛	15¼	AVX	.24	1.1	18	450	21⅝	21⅛	21⅝	
60⅞	43½	AbtLab	1.40	2.3	17	1678	59⅞	59⅛	59¾	+½
19	15¼	AbtMbl g	1			182	16½	16½	16½	−⅛
12	7½	AcmeC	.40	3.7		43	10⅞	10¾	10⅞	+⅛
8	5⅞	AcmeE	.32	4.1	18	18	8	7⅞	7⅞	−⅛
34⅞	20¼	Acuson			26	249	33	32¼	32⅝	−⅛
16⅞	14¼	AdaEx	1.82e	12.		38	15⅛	15⅛	15⅛	
18⅞	7⅛	AMD				6095	10⅛	10⅛	10¼	−⅛
43½	28¼	AMD pf	3	9.0		28	33⅞	33⅛	33⅛	−⅛
9⅝	6½	Adobe				475	9⅝	9⅛	9⅛	+⅛
18⅛	16½	Adob pf	1.84	10.		63	18¼	18	18¼	+⅛
9⅛	6⅛	Advest	.12	1.7	17	16	7⅛	7⅛	7⅛	
64⅞	42¼	AetnLf	2.76	5.1	9	1161	54⅝	54⅛	54½	+⅛
		AMPb n				11272	12⅞	12⅛	12⅝	
21	14½	Ahmans	.88	4.3	9	1266	20⅛	20⅛	20⅛	+⅛
53⅞	37¼	AirPrd	1.20	2.8	11	1221	42⅝	42⅛	42½	
28⅞	15½	AirbFrt	.60	2.3	24	68	26⅛	26⅛	26⅛	
[illegible]										

Continued on Page 46

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16	12½	ReichTg	1.78	12.	9	92	14¼	14	14¼	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX COMPOSITE PRICES

2pm prices June 1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2pm prices June 1

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
XL Da s		19 275	22¼	22⅛	22⅛	− ⅛
XOMA		224	18	17¾	18	+ ¼
Xicor		10 209	8⅛	8	8	
YelowF	.70	11 1152	28⅛	27⅞	27⅞	− ⅛
ZionUt	1.44	21	26⅛	26⅛	26⅛	+ ⅛
Zycad		94	3¼	3½	3½	− ⅛

AMERICA

Dow bounces up after shrugging off weak dollar

Wall Street

AFTER a weak opening which reflected a softer dollar and small losses in the bond market, the equity market bounced back on its own internal sense of optimism, *writes Janet Bush in New York.*

At 1.30 pm, the Dow Jones Industrial Average was quoted 16.17 higher at 2,496.32 in moderately active volume of 113m shares by midsession.

Although it has been a volatile week, with the largest movements due to waves of programme selling and buying related to sharp movements in stock index futures contracts, the underlying performance has been encouraging, according to equity analysts.

Secondary stocks have put in a steady performance and the ratio between advancing and declining stocks has been healthy. For example, on Wednesday measurements such as the Value Line index, the Amex and the Nasdaq Composite reached post-crash highs, according to Mr Newton Zinder, technical strategist at Shearson Lehman Hutton.

In the first five months of the year, the Dow is up 14.4 per cent, the Amex Market Value Index 16.6 per cent and the Nasdaq Composite 17.0 per cent. The best performer has been the Dow Jones Transportation Average which has gained 18.8 per cent so far this year.

The equity market yesterday did not reflect the concerns of other financial markets. The bond market slipped a little due to the dollar's softness in spite of the absence of interest rate rises in West Germany. There was a measure of caution in all markets yesterday before today's May employment figures.

The focus remained on stocks with particular news. Among featured issues was Prime Computer which added $⅜ to $16⅞. MAI Basic IV dropped the price of its offer for 49.5m Prime Computer shares to $19.5 a share from $20 but the move had been widely expected given Prime's disappointing earnings.

Citibank, one of the most actively traded shares on the New York Stock Exchange, added $¾ to $32½. Citibank announced late on Wednesday that it was paying a 3 per cent premium for Empire of America's $650m Visa credit card portfolio.

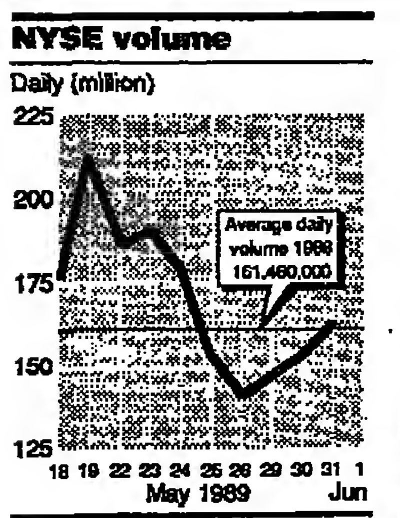
IBM continued to be in demand after the company's announcement that it had developed the world's fastest experimental million-bit memory chip. The stock climbed $⅞ to $110½, adding to its gain of $1⅞ on Wednesday.

First Interstate Bancorp jumped $2⅝ to $57¾ after the bank holding company's chairman told a conference for institutional investors that he planned to avoid any takeover attempt by boosting the stock price through lowering the bank's Texas loan losses and controlling costs.

Circus Circus, the casino holding company, jumped $1⅛ to $41⅞ after Bear Stearns added the stock to its recommended list. This was in spite of weak net income growth in the first quarter to 64 cents a share from 62 cents a year earlier, about which the company had forewarned investors.

UniCare Financial added $1 to $15⅝ on the American Stock Exchange after the company announced that it had retained Smith Barney as financial adviser to explore alternatives to maximise shareholder value.

NYSE volume



Canada

MODEST gains took over from a lower opening in light midsession trading in Toronto. At midday the composite index had gained 3.8 to 3,711.3 with advances leading declines by 268 to 228 in volume of 14m shares.

EUROPE

Bundesbank decision is greeted with relief

THE BUNDESBANK'S decision to leave interest rates unchanged gave a boost to trading as many bourses breathed a sigh of relief, *writes Our Markets Staff.*

FRANKFURT continued its run to fresh records. Volume remained very high at DM6.7bn worth of German shares, up from Wednesday's DM5.9bn, and the FAZ index rose 1.14 to a new 1989 peak of 588.26. The DAX index of 30 blue chips closed 5.71 higher at 1,413.00, just off its day's high of 1,414.78.

"The Bundesbank is more relaxed on the dollar and the oil price now," commented one fund manager. Analysts did not rule out monetary tightening in coming weeks, but for the moment strong corporate news appeared to be winning the day with investors.

Prices made further gains after hours, with Siemens rising to DM552.50 after closing DM3.50 higher at DM549.50 and Deutsche Bank reaching DM545 after finishing up DM9.50 at DM542.50. The fact that such blue chips had been in demand in the past few days indicated that foreigners were at last back in the market, said the fund manager.

Construction stocks continued to outperform, with Hochtief up DM30 at DM878 following a 31 per cent rise in 1988 group net profits. The stock is said to be benefiting from comparisons with Holzmann, in which it holds a 20 per cent stake but which is at its all-time high; Hochtief is some way from its own peak. Holzmann, none the less, gained a further DM19 to DM900.

Metals stock Preussag was up DM11.60 at DM283, reporting higher first quarter sales.

Against the trend, computer maker Nixdorf fell DM3.50 to DM320 after a magazine reported that it had lost DM148m in the first quarter.

PARIS had a poor day for news, although volume was moderate and share prices closed higher. One analyst said most investors were concentrating on the French Open tennis championships, rather than the bourse.

Before the decision on West German interest rates, the market was very nervous and shares declined. Afterwards, prices picked up. The OMF 50 index rose 1.03 to 496.82 and the CAC 40 index gained 8.37 to 1,738.02. The opening CAC General index was 1.8 up at 477.6.

Turnover was estimated at FFr1.8bn.

One of the few corporate stories involved Avions Dassault, which rose FFr16 to FFr746. The aircraft maker is close to selling several Mirage fighter jets to Iraq, although France has refused to guarantee financing for the deal.

Vallourec, the steel pipe maker, advanced FFr19.70 to FFr746 amid speculation that Tubacex of Spain was increasing its 19.9 per cent stake in the company.

AMSTERDAM witnessed a strong day for dollar earning stocks as investors bet on the US currency rising further. The absence of any move on West German interest rates was also reassuring and the CBS tendency index moved up 1.6 to 181.0 in moderate turnover of Fl 619.5m.

Dollar-sensitive retailer Ahold gained Fl 2.20 to Fl 118, Wessanen put on Fl 2.30 to Fl 85 and blinds maker Hunter Douglas rose Fl 5.20 to Fl 113.50. Chemicals were active, apparently boosted by the strength of Japanese chemical companies' results, with Akzo gaining Fl 1.60 to Fl 148.10 and DSM up Fl 1.50 at Fl 140.70.

ZURICH was relieved that West German rates were left unchanged and shares closed higher. The Crédit Suisse rose 6 points to 564.1.

Chemicals were strong, with Hoffmann-La Roche bearers gaining SFr17,000 to SFr305,000 and Ciba-Geigy bearers rising SFr110 to SFr3,670.

Merck picked up SFr4 to SFr789. The holding company said group sales had risen 24 per cent in the first quarter and that profits were even higher.

MILAN declined in slightly lower volume, with insurance stocks leading the way down. The Comit index slipped 2.78 to 609.30.

One analyst said that insurances were generally out of favour and that earnings yet to be announced had largely been discounted. Generali lost L380 to L39,850, RAS fell L580 to L27,400 and La Fondiaria dropped L540 to L57,590.

Fiat fell prey to profit-taking, easing L49 to L9,450. It had risen strongly after announcing its share buy-back plan.

Saffa, the cardboard producer, rose L75 to L9,895 after the previous day's reports of a merger with Sarrio of Spain.

MADRID was dull, with the general index edging down 0.85 to 312.36 in turnover estimated by one house at a modest $185m. Stocks generally moved in a narrow range, with 310 providing a support level on the index, said one salesman.

STOCKHOLM recovered from early losses to end steady, little affected by news that the central bank was lifting remaining foreign exchange restrictions on July 1.

The banking sector fared best, buoyed by strong interim results. SE-Banken's restricted A shares rose SKr2 to SKr94.

Saab-Scania free B shares recovered SKr3 to SKr243 after falling heavily on Wednesday on the problematic outlook for the company's car division.

OSLO investors continued to take profits and the all-share index dipped 2.95 to 493.25 in thin trading worth NKr233m. "Foreign and Norwegian investors all seem to be waiting on the sidelines for the market to come back," said an analyst.

BRUSSELS remained depressed by fears that domestic interest rates would rise and stocks ended little changed. Chemical company UCB stood out with a BFr150 rise to BFr11,350, helped by its offer last week for Pabeltec, the packaging concern.

ASIA PACIFIC

Nikkei slips on profit-taking in lively trade

Tokyo

SELECTIVE interest in specific Japanese issues kept trading lively and volume showed a strong recovery but share prices slipped on profit-taking, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average began the day on a promising note but persistent selling throughout the day pushed it below the 34,000 level for the first time in six trading days to close at 33,981.35, down 285.40.

The day's high was 34,227.80 while the low was 33,932.04. Declines almost doubled advances at 632 to 320 while a further 151 issues were unchanged. Turnover, however, showed a significant improvement, rising to 1.62bn shares from the 1.15bn traded on Wednesday. The Topix index of all listed shares dropped 18.93 to finish at 2,518.21 but in London the ISE/Nikkei 50 index rose 0.72 to 2,020.09.

The day began well, with the currency market apparently reasonably stable and the political scene showing signs of brighter days ahead as the ruling party finally settled on Mr Sousuke Uno, the foreign minister, as successor to the outgoing prime minister, Mr Noboru Takeshita. But investors seemed to be less concerned about outside influences than about market trends and they sold heavily to take profits and to keep up with the swing from domestic demand-related to high-tech issues.

Analysts saw the move as part of an overall trend to buy smaller capitalisation issues that offer good earnings or quick price movements, or both. Within that larger framework the focus was on high-tech issues, and particularly capital investment stocks that are big beneficiaries of the present economic boom.

Business performance once again dominated interest, with most companies reporting results for the year ending March 1989. Among favoured high-tech issues were electricals, precisions and cars. Toshiba, the machinery maker, was the most heavily traded stock with 121.9m shares exchanged, advancing Y30 to Y1,470. Having reported record pre-tax profits, Toshiba is also favoured by brokers as a big volume issue that can bring back large-block trading to the market.

Among other electricals, Sony rose Y200 to an all-time high of Y7,900 during the day, closing up Y50 at Y7,750. Mitsubishi Electric, third most actively traded with 68.6m shares, added Y10 to Y1,220.

Nissan, the car maker, was also favoured as it posted a profit of Y170bn, only slightly lower than its record. It rose Y90 to Y1,650 in active trading.

Yamatake Honeywell, the measuring instrument maker, surged Y200 to Y2,920 on the strength of its good business performance. Canon gained Y80 to Y1,890 as investors favoured its low price earnings ratio and expected a weaker yen to support its business, which is 70 per cent export-dependent.

Omron Tateishi Electronics advanced Y120 to Y2,920 on good business results. Investors reacted positively to Omron's plans to quadruple sales by the year 2001.

Paper and pulp issues, however, dropped on expectations that the profits of the top nine producers will be flat for fiscal year 1989. Oji Paper lost Y110 to Y1,800.

Osaka saw an improvement in volume to 188m shares from 131m on Wednesday but profit-taking led the OSE average down 23.47 to 33,109.71. Misawa Resort, which had been selected recently, fell Y250 to Y2,650.

Roundup

THE TROUBLES in China again sent Hong Kong lower and Taiwan also fell steeply, but most other Asia Pacific markets improved, with Singapore particularly lively.

HONG KONG continued its downward spiral after a firmer opening, with the Hang Seng index reaching its lowest level of the year. The index lost a further 53.89, or 1.9 per cent, to 2,688.98. Turnover was heavier than on Wednesday, at HK$1.2bn.

The most active stocks included Hongkong Land, which fell 30 cents to HK$8.90, and Cheung Kong, which lost 25 cents to HK$8.75.

SINGAPORE rose in a busy session as bargain-hunting set in. The Straits Times industrial index gained 13.7 to 1,292.94 and turnover grew to 78m shares from Wednesday's 48m.

Blue chip, bank and retail issues were in demand. The most active stock was Inter-Pacific, which rose 2 cents to 95½ cents as 8.6m shares changed hands.

AUSTRALIA edged higher in a dull session. The All Ordinaries index gained 1.5 to 1,531.5 in turnover of 83m shares worth A$138m.

Australian National Industries, subject to takeover bid by Mr Kerry Packer's Consolidated Press Securities, was steady at A$1.40 in turnover of 3.3m shares.

Hooker Corp fell 7 cents to its 1989 low of A$1.15. FAI Insurance, which has a stake of more than 5 per cent in Hooker, lost 8 cents to A$2.52.

TAIWAN fell sharply in a volatile session after its recent run of all-time highs, with the weighted index closing 335.16, or 3.4 per cent, lower at 9,497.22. Volume was slightly up on Wednesday's.

SEOUL turnover shrank to its thinnest level this year, with only 4.6m shares traded compared with the previous day's 5.6m.

SOUTH AFRICA

MOST sectors of the Johannesburg stock market ended little changed in dull trading after the holiday. Gold shares were narrowly mixed.

The Swiss fail to improve life for foreign investors

William Dullforce on apparently perplexing moves

WHEN WILL the Zurich stock exchange and Swiss companies learn how to treat foreign investors? Not that the Swiss do not try, but developments in the last few weeks again make the question pertinent.

Nestlé's decision last November to open its registered shares to foreign ownership appeared to herald a new dawn for the Swiss stock market.

Yet last week, the Nestlé board ran into strong criticism from shareholders over its proposals to restrict the number of shares that can be held by one investor to 3 per cent of the total and to make it more difficult for shareholders to alter the company's statutes or sack the board.

An angry foreign investor, whose bearer shares had plunged 20 per cent in value overnight in November, talked of the "castration" of shareholders. Many others queried the strengthening of the powers of the board and management at the expense of shareholders' rights.

This week a local group of dissident shareholders removed its block on Nestlé's planned SFr800m ($470m) capital increase, but said it would persist with its legal protest to the registrar of companies about a planned issue of reserved shares and other changes to company statutes.

Instead of opening up a new era, Nestlé's actions and other developments on the Swiss corporate market this year have left investors perplexed.

Zurich Insurance appeared to move in the direction of foreign investors when, after paying $740m for a US insurance concern, it announced that it was floating a SFr810m warrant-bond with rights for existing holders of bearer shares and participation certificates to convert into registered stock.

Analysts quickly remarked on the opportunism of the move. Zurich Insurance could scarcely have placed an issue of that size on the domestic market. It had to attract foreign investors, but, the analysts noted, nothing had been said about a further opening of the registered stock.

Apart from Rieter, a medium-sized textile manufacturer, no Swiss company has followed Nestlé's example in making all its shares available to foreigners. But several have followed it in imposing limitations on the sizes of individual shareholdings as a defence against takeovers.

Given that foreigners, especially international fund managers in London, are regarded as vital for injecting new life into the Zurich market, there is something illogical and perverse about current Swiss behaviour.

Brokers report that foreigners are currently buying Swiss stocks very selectively – Hoffmann-La Roche, other pharmaceuticals and BBC, the Swiss half of Asea Brown Boveri. With domestic pension fund managers apparently more interested in 8 per cent returns on the money market than in equities, there has been little buying pressure.

Mr Michel Rousset of Lombard Odier also points to the spate of rights issues from companies taking the opportunity to raise cheap capital as another factor boosting supply against weak demand.

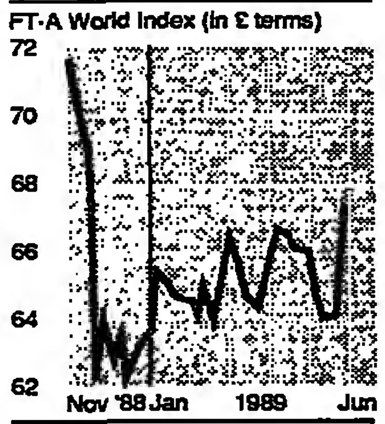
No wonder, then, that Zurich has been lacklustre for the last two months. In the first quarter, it outperformed Frankfurt with a 5.4 per cent climb in the SBC general index against a 3.6 per cent increase in the FAZ. But over the five months to the end of May – expressed in Swiss francs – the SBC recorded only a 4.9 per cent increase compared with 9.1 per cent for the FAZ.

One school of thought argues that, given the recent weakening of the franc and the sharp rise in interest rates prompted by the National Bank's attempt to give credibility to its anti-inflationary stance, it is amazing that Zurich has not sunk lower.

This is being interpreted as a tribute to the underlying strength of Swiss blue chips and of the economy. Indeed, Swiss enterprises listed in Zurich increased net earnings by an average of 15 per cent last year. But, as Bank Vontobel pointed out, they paid out a meagre 25.6 per cent of profits to shareholders.

Swiss companies still need to sort out their relations with shareholders.

Switzerland



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	WEDNESDAY MAY 31 1989 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	TUESDAY MAY 30 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989 High	1989 Low	Year ago (approx)
Australia (88)	131.30	-0.4	123.79	116.39	-0.9	4.96	131.83	125.41	117.45	157.12	128.28	145.74
Austria (19)	117.82	+1.4	111.08	121.82	+0.3	2.12	116.22	110.56	121.41	124.18	92.64	87.91
Belgium (63)	128.88	+1.5	121.51	132.05	+0.1	4.15	126.97	120.78	131.41	137.10	126.33	120.79
Canada (125)	137.43	+0.9	129.57	119.96	+0.5	3.30	136.19	129.56	119.33	138.05	124.67	120.16
Denmark (38)	176.37	+2.2	166.29	184.53	+0.3	1.82	172.58	164.17	183.96	181.03	165.35	129.52
Finland (26)	143.56	+1.7	135.35	133.32	-0.7	1.57	143.42	136.43	134.21	159.16	125.61	134.12
France (128)	117.79	+1.7	111.05	123.75	+0.1	3.06	115.78	110.14	123.64	122.79	112.57	95.67
West Germany (100)	83.85	+2.0	79.06	86.12	+0.3	2.35	82.17	78.17	85.85	90.40	78.56	76.62
Hong Kong (49)	115.68	-2.1	109.07	115.46	-2.1	4.68	118.19	112.43	117.99	140.33	111.80	100.26
Ireland (17)	139.20	+1.4	131.25	145.24	-0.1	2.90	137.25	130.56	145.41	151.36	125.00	133.92
Italy (97)	77.72	+1.7	73.27	83.06	+0.3	2.66	76.39	72.67	82.84	86.88	74.37	68.76
Japan (455)	180.08	+1.4	169.78	161.98	+0.8	0.48	177.66	169.00	161.04	200.11	177.66	169.62
Malaysia (36)	180.18	+0.5	169.88	188.89	+0.8	2.54	179.30	170.57	187.45	184.26	143.35	138.06
Mexico (13)	222.88	+0.5	210.14	602.63	+0.5	0.84	224.01	213.10	605.62	224.69	153.32	156.23
Netherland (42)	115.17	+0.7	108.59	116.96	-1.0	4.40	114.34	108.77	118.20	122.22	110.63	104.39
New Zealand (24)	64.82	-0.2	61.11	59.00	-0.3	6.25	64.94	61.78	59.18	76.02	64.82	81.78
Norway (26)	177.27	-0.3	167.13	172.21	-1.3	1.54	177.75	169.09	174.49	198.39	139.92	120.10
Singapore (26)	158.33	+0.2	149.28	142.53	-0.1	1.95	158.08	150.38	142.71	160.35	124.57	114.43
South Africa (60)	131.01	+0.4	123.52	119.07	+0.0	4.44	130.46	124.10	119.07	144.86	115.35	130.60
Spain (43)	147.69	+2.2	139.24	140.92	-0.1	3.55	144.51	137.47	141.06	156.17	143.14	155.72
Sweden (35)	158.54	+0.3	149.47	156.31	-0.9	2.20	158.01	150.31	157.77	162.00	138.45	125.50
Switzerland (57)	71.63	+2.9	67.53	73.73	+0.0	2.48	69.57	66.19	73.70	79.76	67.61	78.30
United Kingdom (314)	138.17	+0.1	130.27	130.27	-0.8	4.41	137.98	131.26	131.26	153.33	134.53	136.82
USA (558)	130.70	-0.5	123.22	130.70	-0.5	3.42	130.11	123.77	130.11	131.21	112.13	108.61
Europe (1005)	114.50	+0.7	107.96	113.29	-0.3	3.59	113.32	107.80	113.69	121.70	112.65	108.05
Nordic (125)	152.07	+0.9	143.37	147.18	-0.6	1.94	150.74	143.40	147.95	155.61	137.95	117.83
Pacific Basin (678)	175.60	+1.2	165.56	158.25	+0.6	0.70	173.45	165.00	157.48	194.72	173.45	165.97
Euro-Pacific (1683)	151.18	+1.2	142.54	140.33	+0.2	1.60	149.42	142.14	140.01	164.22	149.40	142.61
North America (683)	131.01	+0.5	123.52	130.03	+0.3	3.42	130.38	124.03	129.44	131.50	112.79	109.22
Europe Ex. UK (691)	99.61	+1.8	93.91	102.79	+0.0	2.95	97.88	93.11	102.81	105.29	96.30	90.21
Pacific Ex. Japan (223)	121.87	-0.9	114.90	111.65	-1.1	4.62	122.94	116.95	112.95	137.65	121.87	122.05
World Ex. US (1881)	150.55	+1.2	141.94	139.62	+0.2	1.67	148.82	141.57	139.28	162.77	148.80	141.92
World Ex. UK (2125)	142.58	+1.0	134.71	137.19	+0.4	2.04	141.46	134.57	136.63	146.04	138.06	128.29
World Ex. So. Af. (2379)	142.52	+0.9	134.37	136.66	+0.3	2.24	141.20	134.33	136.23	146.65	136.82	129.02
World Ex. Japan (1984)	124.57	+0.6	117.45	123.44	-0.1	3.53	123.81	117.78	123.30	126.02	114.51	109.57
The World Index (2439)	142.45	+0.9	134.30	136.54	+0.3	2.25	141.14	134.26	136.12	146.51	136.83	129.04

Latest prices were unavailable for this edition. South African market closed on May 31.

CONSTITUENT CHANGES (JUNE 1): Name changes: Hong Kong Land to Hong Kong Land Holdings (Hong Kong) and Laporte Industries (Hldgs) to Laporte (UK).